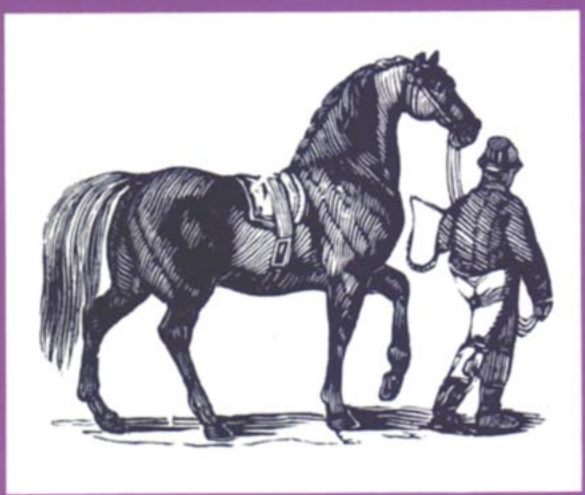
THE FREEMAN

IDEAS ON LIBERTY



Animal Rights Are an Individual Responsibility

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APRIL 1990

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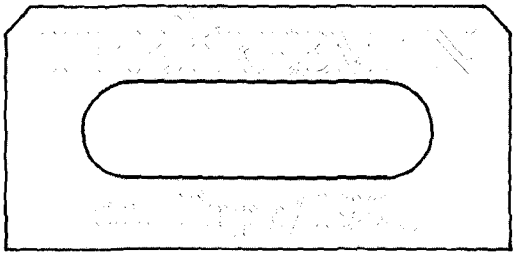

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IDEAS ON LIBERTY

CONTENTS

APRIL
1990
VOL. 40
NO. 4

124 The Advance Guard of Freedom
Andrew E. Barniskis
The 40-something generation works to bring America back to freedom.

126 Edwin Armstrong: Genius of FM Radio
Jorge Amador
How FM radio was nearly killed at birth by a combination of fearful competitors and government.

131 Freeing Digital Audio
Jeff A. Taylor
Solving technology disputes without government intervention.

133 Drugs and Dumbness
Scott C. Matthew
What a sad world this would be if everything that the majority thought was foolish were also illegal.

134 Trickle Up: A Solution to Third World Poverty
Barbara Sall
Recognizing the ability of the poor to work hard and lead productive lives.

137 The Great 19th-Century Timber Heist Revisited
T. J. Iijima and Jane S. Shaw
The reasons for harvesting vast stands of Great Lakes timber and the benefits that resulted.

142 Let the Market Protect Consumer Safety
John Hood
Sweeping Federal mandates have hurt consumers, impaired product development, and failed at promoting safety.

144 Israel's Grassroots Libertarian Revolution
Sam Lehman-Wilzig
How the Israeli public has forced the government's hand.

149 The "Earmarked Money" Illusion
William B. Irvine
It is rarely possible for a government to earmark revenue for a particular purpose.

151 Animal Rights Are an Individual Responsibility
Cherry Hill
Animal care, handling, and training techniques are a matter of personal and professional ethics.

157 Book Reviews
John Chamberlain reviews *The Vermont Papers: Recreating Democracy on a Human Scale* by Frank Bryan and John McClaughry. Also featured: *Taxpayers in Revolt: Tax Resistance During the Great Depression* by David T. Beito, and *The Enigma of Japanese Power* by Karel van Wolferen.

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PERSPECTIVE

Apartheid: War on Capitalism

The whole ugly history of apartheid has been an attack on free markets and the rights of individuals, and a glorification of centralized government power. In 1900 when South African Prime Minister Jan Christiaan Smuts said, "It is ordained that we [Afrikaners], insignificant as we are, should be amongst the first people to begin the struggle against the new world tyranny of capitalism," he was recognizing that free markets along with their inherent dispersion of power have little respect for race. Therefore, South Africa declared war on capitalism. Now—in order to promote tranquility, dignity for the individual, and prosperity for all—South Africa's people must strengthen its beleaguered market forces, and declare war against centralized government power.

—WALTER E. WILLIAMS
South Africa's War against Capitalism

Jackie Robinson

One of the central myths of the modern age is the belief that politics is the arena for effective social action, and for the advancement of causes. To the contrary, however, politics only adopts causes which have already gained popularity or success, and then often does harm to them. . . .

The civil rights issue is a case in point. Before it ever became a political issue, countless numbers of successful black businessmen, clerks, scholars, and others were winning victories, each in their sphere. They won respect and established beachheads in a variety of areas.

Perhaps the two most important men in gaining civil and societal freedom for blacks were [Brooklyn Dodgers president] Branch Rickey and Jackie Robinson. The two men broke down the barriers in perhaps the most rigidly segregated aspect of American life, baseball. When Rickey first talked to Robinson [in 1945], he told him, "I need more than a great player. I need a man who will accept insults, take abuse, in a word, carry the flag for his race. I want a man who has the courage not to fight, not to fight back. . . . Can you do that?" Robinson thought it over and answered finally, "If you want to take this gam-

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ble, I promise you there'll be no incidents." By 1949, Robinson had made his case. . . .

There is no national holiday for Jackie Robinson, but it was his character and action on center stage that changed the United States. Only some years later did political figures get on the bandwagon, dramatize the issue, and claim to have changed America.

—R. J. RUSHDOONY, writing in the Winter 1989 issue of *Lincoln Review*

The Function of Government

The main problem of the market, the main problem of human cooperation, is the fact that there are people who resort to violent action, who do not comply with the rules that are necessary for the preservation and operation of the market. In order to prevent this violent action, in order to make possible the workings of the market, of human cooperation, of human society, it is necessary to have an institution that protects the market against violence, against people who lack the knowledge or the will to comply with the rules of peaceful exchange of commodities and services. This is the function of government.

—LUDWIG VON MISES, speaking at The Foundation for Economic Education, February 22, 1969

Cambodian Catharsis

At the time of the Vietnamese invasion little more than a decade ago, this city [Phnom Penh] was a ghost town. The Khmer Rouge were ousted and the mass killing ended, but Cambodia was still governed by a Communist government. Such regimes produce little economic growth in peacetime, let alone during civil war, so I had mentally prepared myself for a city living in the stone age.

In spite of all that was depressing, the big news in Cambodia is the revival of life, the reconstruction of markets and economic activity. Progress is palpable, even astonishing. A French relief worker told me that since the government began implementing "free market" reforms a few years ago, the progress has come "almost hourly."

Indeed, as the Vietnamese pull out and their influence in the Cambodian government wanes, Cambodians more and more are putting markets in charge of the economy. Agriculture has been largely de-socialized; farms are now chiefly in private hands, by either lease or outright private ownership.

There are no price controls, no wage restrictions, almost no controls over the movement of people and capital, no rationing and lines of people in front of stores. Having just visited the Soviet Union for a fourth time days before arriving in Phnom Penh, I found myself thinking how envious my friends in Moscow would be if they could see the variety and abundance of goods in Phnom Penh's markets. . . .

By the end of my stay, I was asking people to tell me just what was Communist about Cambodia anymore. Aside from the one-party political monopoly, the country is relying substantially on free enterprise to direct everyday life. Even former beggars, I was advised, are getting into business.

—LAWRENCE REED, reporting on his August 1989 trip to Cambodia, in the September 17, 1989, *Idaho Press-Tribune*

The Power of Choice

High levels of productive employment and free competition are the best guarantors of consumers' and workers' rights. With plenty of jobs to choose from, a worker can decide to leave an unfair employer and work for a better one. But state-owned industry is a monopoly. In India, 67 percent of legal employment belongs to the public sector. Disgruntled government workers have few choices except to resort to frequent strikes.

Blind economic nationalism keeps foreign capital, technology, and products out of India and restricts competition. Indian economists never talk about the loss of jobs when a foreign corporation gets kicked out of the country. They forget that competition not only brings about efficiency, technological innovation, and effective use of limited resources, it gives real power of choice to workers and consumers.

—RAYASAM V. PRASAD
Jonesboro, Georgia

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The Advance Guard of Freedom

by Andrew E. Barniskis

I was born a few weeks before the end of 1945, which placed me just in front of the leading edge of the Baby Boom. While I may not meet the technical definition of a Baby Boomer, I feel that those of us who were born late in World War II and early in the postwar period have always formed the Advance Guard of the Baby Boom, and we have always set the pace that our younger brothers and sisters would follow.

It was the Advance Guard that first watched "American Bandstand" on TV after school, and danced to music that is played regularly to this day. The birth of the Detroit "muscle car" coincided with the Advance Guard earning the first paychecks which would pay for them. Today, while the center of gravity of the Baby Boom may be 30-something, more and more of the people portrayed in advertising appear to be closer to 40 than to 30—sometimes closer to 50. My local newspaper adopted a larger, more open typeface shortly after I acquired my first pair of bifocals.

If the Advance Guard shares a common denominator other than age, it's that we come closer to sharing the memory of World War II, without having experienced it, than any later group. Our baby albums contain pictures of us being held by fathers or uncles in uniform, taken the day they returned from overseas. In our dreamlike memories of early childhood street scenes, the cars are square-backed, black, and '30s vintage—cars which disappeared overnight once postwar production got into swing. The old magazines stacked in our childhood closets contained war maps and centerfolds of fighter planes, and war memorabilia was the mainstay of show-and-tell during our early school years.

If we inherited little pieces of our parents' immediate past, there's no doubt we inherited big portions of their beliefs and prejudices from that period. I clearly remember, at the age of 4, announcing bravely that I'd "kill any of them Japs who came over here," and my mother explaining sadly that it wasn't Japanese, this time, but people called Koreans, who had started the new war that had just been announced on the radio.

Along with nationalistic prejudices, we also inherited the foundations for our future political beliefs. There were two political absolutes that I recall believing as a small boy. One was that it was impossible, in the purest sense of the word, for the United States to lose a war. The other was that the government had an unlimited amount of money, which it could use to accomplish anything it really wanted to. In retrospect, these beliefs were significant, not because they represented the naivete of a child, but because they represented the naivete of the adults from whom the child acquired his earliest ideas.

A few years ago, it occurred to me that in the United States we seem to treat the Baby Boom as an entirely American phenomenon. I started to think about this after a friend of about my age, from a Communist country in Eastern Europe, related some of his childhood memories from the early postwar period. His parents had survived unimaginable horrors during the war, and, though left destitute, moved into top-level government and management positions in the postwar period, simply because there were so few educated or competent survivors. They were not philosophically committed to Communism, but were caught

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up in the momentum of history; political philosophies paled in importance compared to the memories of what they had witnessed a few short months before. The philosophy of their lives had become that nothing succeeds like survival—so the party in power must have done something right, because it not only survived, it prevailed.

These observations are hardly original. One of the geopolitical clichés of the postwar period has been to explain the Soviet psyche in terms of their memories of the Great Patriotic War. In documentary interviews, Soviet citizens often explain, even defend, their acceptance of authoritarian regimes by recalling the hardships of World War II. That explanation is entirely plausible, since the only way the human mind may be able to create a sense of order out of memories of the insanity and deprivation of a protracted war is by justifying the horrors as a necessity of survival. Mother Russia promised victory in return for unspeakable hardships, and the promise was kept. Should Soviet citizens not then have believed the promises of future prosperity in return for the comparatively minor hardships of a regimented society?

A generational view of history becomes more significant in light of the tremendous political upheavals that have taken place in the Soviet Union, Eastern Europe, and China in recent months—upheavals that in some cases could not have been predicted mere weeks before they happened. It is not only the magnitude of these changes which is amazing, but that similar changes are happening everywhere simultaneously. Could a partial explanation of this phenomenon be the coming to real power of the Advance Guard of a generation which has no firsthand memories of a Great Patriotic War?

I find this thought intriguing, not only for what it portends for the Soviet Union, Eastern Europe, or China, but for what it could mean within our own society. I have often been puzzled by World War II veterans who explain what it means to be a "real American" in terms of, "I went on the beach at Anzio (or Iwo, or Normandy) and . . . ," their sentences trailing off as if the fact that they had nearly died explains everything one needs to know about America. All too frequently, their next words advocate concentration camps for casual drug users, death penalties for flag desecrators, or suspension of Constitutional rights "to straighten out what's wrong with this country." Their ideas often come discomfortingly close to the realities from which the citizens of the Communist world are now trying to escape.

To what extent has America's recent history been shaped by the experiences of a generation that came of age during what has been termed, "The Good War"? In the early 1950s, it was suggested that the acceptance of housing developments "all made out of ticky-tacky," that "all looked just the same" was made possible by a generation that had reached adulthood living in rows of Army barracks. More significantly, the socialization of America—the acceptance of central planning, and the de facto "nationalization," albeit at the state or regional level, of most of the transportation, utility, and education industries—reached a peak just as those boys who went on the beaches during World War II were coming into their first years of real political power. Could there have been a greater parallel between the Eastern European and American postwar political psyche than we've cared to recognize? If there is the slightest chance that it is true, the question for our future becomes, will we soon follow the rest of the world in abandoning the failed theories of socialism, or must the disease run its full course, and reduce America to Eastern Europe's level of virtual Third-Worldism, before we awaken?

World events have made me guardedly optimistic that we can change course short of disaster. Instead of emerging victorious from a Great Patriotic War, my generation of Americans fought a war that accomplished nothing but to erase years from our lives, and to erase entirely the lives of many of our friends. The parade-ground promises of the infallibility of discipline and authoritarianism proved false, and the siren song of collectivism has never rung true for many of us since. With our own war long behind us, and our careers reasonably secured, some of us in the Advance Guard are now working to bring America back to freedom. Our number, commitment, and influence remain to be seen. But then, only a year ago, who would have predicted two million people joining hands across the Baltic nations, seeking liberty? □

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Edwin Armstrong: Genius of FM Radio

by Jorge Amador

This year marks the centennial of the birth of Edwin Howard Armstrong. Though his name is recognized by few today, his influence is literally all around us. What makes Armstrong's centennial significant is that, more than any other person, he was responsible for the broadcasting revolution.

Described as one of the last great free-lance "attic inventors," Armstrong is credited not only with originating many of the devices that made it possible to transmit and receive long-distance radio signals, but also with developing one of the major modes of transmission—wide-channel frequency modulation, which we know popularly as FM.

Armstrong's story, however, goes beyond that of a great inventor cranking out new gadgets for the good of mankind from the isolation of a lab. For Armstrong's FM radio was nearly killed at birth by a combination of fearful competitors and government. His is a cautionary tale illustrating the power to cripple not just one man's business, but an entire industry, when the state controls access to the basic resources that the industry develops.

His father sold Bibles and his mother was a schoolteacher, but from an early age Edwin Armstrong showed great aptitude for mechanical things, and by the time he was 14 he was set on a career in "wireless." Like other amateur radio enthusiasts at the turn of the century, Armstrong put together crude sets from coils and tubes, and spent countless hours in his Yonkers, New York, home listening intently for the faint dots and dashes of faraway Morse code transmissions.

Jorge Amador is a free-lance writer and editor of The Pragmatist, *a current-affairs bimonthly.*

In 1912, during experiments to increase his set's reception power, Armstrong, then an electrical engineering student at Columbia University, devised an improvement over the existing Audion vacuum tube. The regenerative or "feedback" circuit, his first invention, amplified the strength of incoming signals hundreds of times, enough to do away with the bother of earphones and to pick up signals from across the Atlantic.

Six years later, as a captain in the U.S. Army Signal Corps, Armstrong was asked to find a way to intercept German military radio communications, which were transmitted in frequencies too high for Allied receivers. Out of his research came the superheterodyne, another circuit with greatly improved amplification which is still the standard in radio, television, and radar sets. Together, the regenerative and superheterodyne circuits made modern broadcasting possible and secured Armstrong's place in the annals of telecommunications.

Among the select audience to whom Armstrong introduced the regenerative circuit was David Sarnoff, the future president of the Radio Corporation of America. The two became friends. Over the next decade, while Armstrong built his reputation as an inventor, Sarnoff rose to the top of RCA. One day in 1922 Sarnoff, frustrated over the problem of static interference with radio broadcasts, said to Armstrong, "I wish that someone would come up with a little black box to eliminate static."

Armstrong was well aware of the problem. Simple static electricity, such as that caused by lightning and electrical appliances, overwhelmed standard AM signals, and there appeared to be no way to get rid of it. Radio engineers, in fact, were

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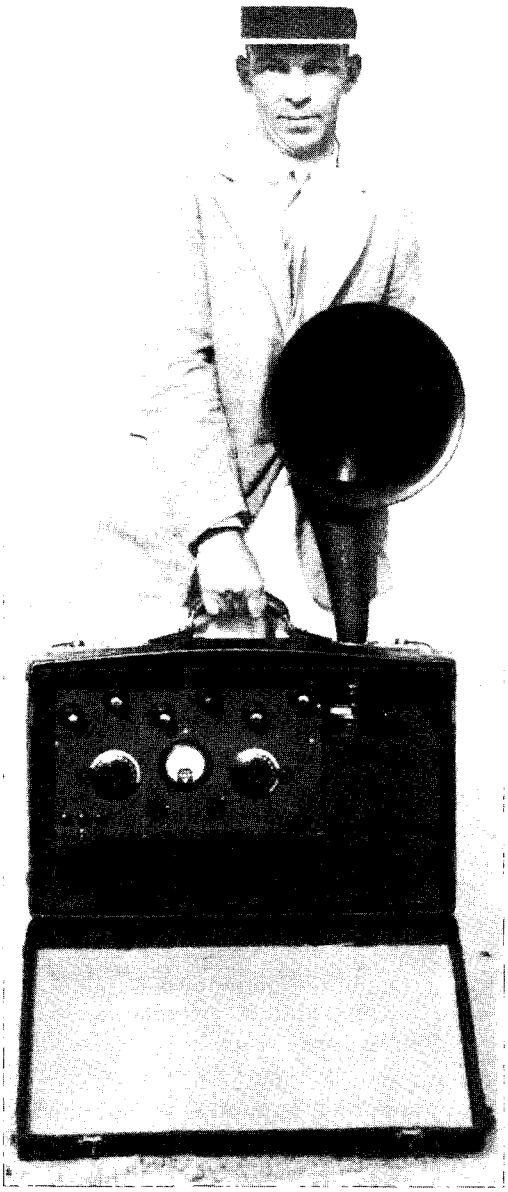

THE BETTMAN ARCHIVE

Edwin Armstrong as a young man, displaying his six-bulb portable radio.

resigned to it, and sought to reduce rather than eliminate static interference. "Static, like the poor, will always be with us," lamented one.

But Armstrong found a way. The scope of this article doesn't permit a technical discussion, but the gist of Armstrong's discovery was this: Instead of modulating (varying) the amplitude (strength) of the radio wave, Armstrong proposed to modulate a different aspect, its frequency (hence the term "frequency modulation"). FM transmissions, he discovered, weren't subject to interference from sources of static. The "little black box" was a whole new broadcasting technology.

The Advantages of FM

Armstrong's FM has other important esthetic and economic advantages over AM:

(1) Because it operates on a wider frequency band, FM can reproduce almost the entire range of sound audible to the human ear, a feature we call high fidelity.

(2) In a process known as multiplexing, used for instance to provide music for stores and offices, the wider band enables the FM operator to send more than one signal at a time.

(3) Because of the way FM-generated waves propagate through the air, an FM station can serve a greater area than an AM station with the same power, or the same area with less power, making FM stations cheaper to operate.

(4) Yet FM stations on the same frequency can be placed closer together geographically than AM stations, because unlike AM their signals don't interfere with each other. In FM we hear only the stronger station, rarely both at the same time.

In 1933 Armstrong took out four patents on FM and presented Sarnoff and RCA with his invention, hopeful that his friend would take the lead in promoting the revolutionary new medium. RCA decided to test it, and in March 1934 invited Armstrong to set up his equipment at the company's Empire State Building facilities. Performance results exceeded Armstrong's claims.

Then, writes broadcast historian Erik Barnouw, in April 1935 the inventor "was 'politely' asked to remove his equipment. . . . That same month RCA announced its allocation of $1,000,000 for television tests." TV was the new rage; nothing more about FM was forthcoming from RCA for another four years. Armstrong was angry over being induced to waste his time by a company that had no interest in developing his invention.

Determined to show the value of FM, Armstrong asked the Federal Communications Commission (FCC) for spectrum space for further FM experiments and sought permission to build his own station. At hearings in 1936, Sarnoff confirmed Armstrong's suspicions. He testified against allocating space to FM and urged that it be

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given to television instead.

From RCA's perspective, the matter was simple. As put by Don V. Erickson, author of *Armstrong's Fight for FM Broadcasting*, "RCA did not own the patents on FM. It did own the patents on television." Thus the company stood to keep a greater share of any profits to be made from television than from FM radio. Moreover, since it was a vastly superior radio service, FM represented a threat to established AM operations—in which RCA, as the parent company of the NBC network, had made great investments.

Thus, explains Erickson, "in almost every overt and covert action, it can be seen that RCA (and the majority of the AM industry) were trying desperately to forestall something that would either cut down, or cut out, their operation." Not least among these efforts was to choke off FM's access to the airwaves, which was controlled by the FCC.

Spectrum Socialism

At this point it is useful to note that this and subsequent fights for spectrum space between FM and television were uniquely a product of government involvement. In the regime of spectrum socialism, under which "the public" is said to "own" the airwaves and a government agency (the FCC) administers them, those who wish to try a new broadcast service, even if they don't propose to take up frequencies currently in use, must go to the FCC for permission to operate.

Absent the FCC, if more than one set of operators wished to use the same general area of the electromagnetic spectrum, they could agree among themselves to divide up the virgin space in question. Or they could simply begin independently to operate at specific frequencies, establish by their use a claim to them as if the frequencies were homesteaded territory, and then if necessary trade or sell frequencies to achieve a consolidated band. In this way, there's room for everybody. Nobody can stake out all the possible frequencies for himself at once, or prevent another from staking out his own space.

Spectrum socialism, however, makes the allocation process controversial. It forces each party to thrash it out at the FCC, where the incentive is to try to get everything that's available. After all, if you must go to the effort and expense of making your case at a hearing—and particularly if you are in competition with others—you might as well ask for all the frequencies at hand, in the hope of ending up with more than you might need. Suddenly there's not enough room for everybody, "justifying" the existence of the allocating agency that encouraged the problem. With this approach, one man's gain becomes another's loss.

The system also gives you the chance to shut out the competition by decree, as RCA attempted. Eventually the FCC allocated television 120 megacycles for experiments, while FM received just 2.7. The agency at first even denied Armstrong a license to build a station, but finally relented in the face of persistent efforts by the inventor.

Armstrong then proceeded to build his station, W2XMN at Alpine, New Jersey, to demonstrate FM's possibilities. Shortly after it began transmitting in July 1939, interest in FM soared. Armstrong commissioned General Electric to build 25 FM receiving sets at his own expense. GE liked the new medium so much that it began to prepare for mass production. The Yankee Network built another station in Massachusetts and began broadcasting in FM to New England.

By the fall of that year, the FCC had more than 150 applications to build FM stations. The space it had parsimoniously allocated to FM three years before was plainly not enough to satisfy existing demand. FM had arrived. Meanwhile, television was a curiosity at the 1939 World's Fair.

As *Fortune* magazine commented in October 1939:

> [W]hile granting the reasonableness of a certain hesitancy, the observer cannot help remarking that the industry has been infuriatingly reactionary in its attitude towards Major Armstrong's development. . . . Moreover, the fact that RCA kept this inventor hanging on the end of a string, without committing itself definitely, was certainly not conducive to progress on the technological frontier. . . .
>
> While the duty of the FCC in making shortwave band allocations was clearly to get television on the air as quickly as possible, the Commission's failure to understand frequency modulation, and to place the proper estimate on its technological importance, is just as deplorable as the industry's failure to push it. . . . What FM needs at the present time above all things is an allocation that will put it on a com-

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mercial status and will at the same time be large enough to permit it to operate to full advantage.

On May 20, 1940, the FCC finally gave rein to FM. It took Channel 1 off the television band and allotted it to FM. The Commission assigned FM the frequencies between 42 and 50 megahertz, enough for 40 FM channels, and authorized commercial service beginning January 1, 1941.

The future looked bright for FM. Other radio set manufacturers, including Zenith and Western Electric (but not RCA, as we shall see), arranged royalty deals. Despite the United States' entry into World War II, the number of commercial FM stations doubled from 18 in 1941 to 36 in 1942, and grew to 46 in 1945. According to *Time* magazine, more than a half-million FM radio receivers were then in use.

Then came a shocker: In January 1945 the FCC proposed to kick FM up into the range of frequencies around 100 megahertz, and to give television additional space in the vacated area. This precipitated a third spectrum battle between FM and television.

The stated reason for the proposed move was the concern that, at FM's current frequencies, radio transmissions would be particularly vulnerable to interference caused by sunspots. It was necessary to make the move immediately, since the height of the next sunspot cycle was expected in 1948-49.

The Commission called hearings for the spring of 1945. It established a Radio Technical Planning Board in several subcommittees to evaluate the proposed general spectrum reallocation. Panel 5, which investigated the claims of sunspot interference, found the evidence lacking and voted 27 to 1 against moving FM. The Board as a whole also recommended against the move.

Armstrong's biographer, Lawrence Lessing, notes that AM interests featured prominently in the pro-FM move camp: "But a long string of witnesses, including representatives of CBS, ABC, Cowles Broadcasting, Crosley, Philco, Motorola, and DuMont, urged that FM be moved 'upstairs.'"

Despite the findings of its own experts and the strenuous opposition of Armstrong and the FM industry, the FCC went ahead with the move in 1945, ostensibly on the basis of the testimony of one engineer who later admitted his calculations had been wrong. The FCC then assigned this band, from which FM radio was banished "for its own good," to television, which Lessing notes was "about twenty-five times more sensitive to any kind of interference than FM and which, moreover, was still required to use FM on its sound channel."

The dreaded interference never showed up, but the effect of the move on FM was disastrous. With one stroke the FCC "made obsolescent every FM radio receiver, every FM transmitter, and a major part of all FM equipment and tubes," writes Erickson. "Thus, with no new FM equipment on the lucrative postwar market and no advertisers to purchase time on the new band of frequencies, FM in its first ten years of existence was brought close to the brink of commercial death." Shortly after the FM shift was proposed, *The New York Times* reported that "The total investment of the country in transmitters, receivers and other [FM] paraphernalia was estimated 'in the region of $50,000,000 to $100,000,000.'" A spokesman for the Frequency Modulation Broadcasters Inc. predicted in February 1945 that the move "would cost prospective buyers of FM receiving sets $100,000,000 more than if they would be permitted to buy sets now designed as soon as they could be made available after the war."

In a brief filed with the FCC, the broadcasters complained that "The change would cost a paralyzing delay during the post-war years when FM could move forward with great rapidity." The delay, in fact, would prove devastating. "FM practically had to start all over again," observed the *Times*' radio critic in 1949. Erickson describes the situation:

> As though [FM was] just invented, equipment had to be put on the drawing board and experimented with to develop sophistication in these very high frequencies; stations had to be reconverted before they could program; and most drastic, the public had to be convinced all over again that FM was worth the purchase of another radio. In this great postwar market, then, AM broadcasting was able to step in and fill part of the great demand for new entertainment, with television coming up a fast second.

"The RCA-NBC forces . . . rejoiced," adds Barnouw. "The new development tended to protect the status quo in radio while providing spectrum space for the expansion of television."

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More Controls

The 1945 spectrum shift presaged a series of postwar decisions by the FCC, all founded upon the state's control over the airwaves, which tended further to hamstring the FM industry. That same year the agency approved a "Single Market Plan," proposed by another AM network, the Columbia Broadcasting System, to limit the power and reach of FM stations to a single city or market.

The effect of this was to put FM at a further competitive disadvantage vis-à-vis AM. While many AM stations continued to be allowed to send their signals through "clear channels" across the continent, FM stations were prevented from attracting advertiser revenue by serving a wider area.

Radio set manufacturers were prohibited by the FCC from easing the frequency transition by building sets that could tune in to both the old and the new bands. In April 1951, the Commission prohibited FM stations from multiplexing signals to stores, offices, and other establishments, a nascent source of revenue for cash-starved operators. (The ban was lifted in July 1955.)

Before the war the invisible hand of the market had pointed to a rosy future, but the iron fist of the state nearly choked FM at birth, then pushed it into the broadcasting wilderness for decades. Three years after the spectrum shift, independent FM stations were reporting $1.1 million in total revenues—and $4.2 million in expenses, for a staggering loss of three times total revenue. FM's revenue did not approach even half its expenses until 1952, and the industry as a whole did not begin to make a profit until 1976. Television and AM radio enjoyed the fruits of the postwar entertainment market. The number of TV stations jumped from 12 in 1947 to 494 in 1957, and AM stations increased from 1062 to 3008. Meanwhile nearly 200 FM stations, which, despite the handicaps, had opened in postwar enthusiasm, found it necessary to close up shop.

RCA, which first ignored FM and then asked the FCC to rule it out of the airwaves, eventually accepted the new medium as a fact of life and started to manufacture FM receivers, as well as televisions with the required FM sound. Sarnoff had offered Armstrong a flat fee of $1,000,000 for a license to use his FM system when it was first approved for commercial use in 1940, but Armstrong preferred a royalty arrangement. Subsequently RCA tried to negotiate similar deals a number of times, but Armstrong always refused, on the grounds that it would be unfair to other manufacturers who were paying royalties on sales.

However, RCA had a firm policy of making cash settlements. RCA, writes Barnouw, "did not pay royalties; it collected them." The company patented a rival FM system it claimed was different from Armstrong's, and licensed that to other manufacturers. So, although Edwin Armstrong held the basic patents on frequency modulation, RCA paid him nothing, and instead collected from others. Armstrong's final battle was on.

The inventor published a technical paper showing that RCA's product embodied no new principle and was essentially a copy of his. In July 1948, he sued RCA and NBC for patent infringement.

The pretrial proceedings dragged on for more than five years. "Armstrong, normally patient," writes Barnouw, "became a man possessed. All his energies came to be centered on the suit. Three o'clock in the morning would find him poring over transcripts. At all hours he called attorneys to discuss tactics."

The bitter, protracted struggle diverted Armstrong from his research, spent his fortune and health, and alienated his family and friends, who urged him to settle for his own sake. Late in January 1954, literally sick and tired, Armstrong surrendered. He gave his lawyer the go-ahead to explore a settlement. On the night of January 31, he dressed for the cold night and stepped out—out the window of his 13th-floor New York City apartment. His body was found the next morning. A few months later, RCA paid Armstrong's estate $1,040,000 and the case was closed. □

For Further Reading:

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Freeing Digital Audio

by Jeff A. Taylor

Technical innovation has long been recognized as a by-product of free societies. It is also true that these technical advances sometimes outstrip the development of legal systems. This often forces basic principles to be re-examined in light of the new developments. Advances in medical technology, for example, have created a host of celebrated legal confusions and debates in recent years.

Now, advances in digital audio technology are pushing the legal envelope in ways unimagined a decade ago. The growth in the use of several related applications guarantees that legal arguments will rage into the next decade with increasing calls for government to come up with a solution. Whether that "solution" will be compatible with principles of limited government is very much up in the air.

The Dilemma

Digital audio turns sound waves into binary (digital) code. Because digital technology allows music to be reproduced perfectly, literally duplicating the code, it has the potential to be used without regard to copyright considerations or notions of intellectual property. At the same time, digital audio promises to bring exceptional fidelity and flexibility to both composer and listener at costs well below current state-of-the-art analog systems.

These aspects of digital audio already have spawned numerous conflicts between record companies and hardware manufacturers, musicians and music fans, and even between musicians—all of them with legitimate interests at stake. Any new laws, or applications of old ones, regarding digital audio technology must take into account these competing claims.

The best known of the disputes raised by digital audio technology has been the fight between the record industry and digital audio tape (DAT) deck manufacturers. (See "Leave DAT Alone," *The Freeman*, November 1988.) From 1985 on, threats of legal action by the Recording Industry Association of America (RIAA) kept DAT machines out of U.S. markets. Indeed, for a time it seemed that the RIAA would succeed in convincing Congress that DAT would cost record companies billions of dollars in sales lost to pirated tapes. The RIAA lobbied Congress to impose a requirement that DAT machines be equipped with "copy-code chips" that would prevent specially encoded, prerecorded digital music from being copied on a DAT machine. Congress, however, balked after the copy-code system advocated by CBS Records was found to reduce fidelity.

But last summer the RIAA won in a voluntary accord what it couldn't get through legislation: an agreement with hardware manufacturers that made massive pirating operations very difficult on new DAT machines. The agreement was made possible by a copy-protection system developed by the Dutch electronics giant NV Philips. The Philips system, called the Serial Copy Management System (SCMS), allows consumers to make copies of a prerecorded DAT, CD, or other copyrighted material, but copies of copies cannot be made.

Thus the SCMS system is compatible with current copyright law, which permits the "fair use" of copyrighted musical performances for personal use only. The music pirates are thwarted by SCMS because it makes high-speed copying of third and fourth generation tapes impossible. Also, any attempt to bypass the two-digit code will likely be expensive, thereby reducing the profit potential for pirates, and will also reduce sound quality, thus denying the chief benefit of DAT to pirates.

This happy outcome for proponents of property rights and limited government has one drawback. The RIAA, which isn't satisfied with the voluntary agreement, is expected to ask Congress to mandate the SCMS for all DAT machines. The RIAA

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should realize that attempts to enforce such a statute, with testing and spot inspections, would only drive up the price of DAT machines, reducing the market for RIAA-produced prerecorded tapes. Besides, the hardware manufacturers have no reason to invite RIAA litigation by reneging on their agreement.

A Model for Other Disputes

If Congress doesn't intervene, the agreement between the recording companies and hardware manufacturers could serve as a model for resolving other disputes involving digital audio technology without government intervention. Currently, the conflict with the most money at stake and the fewest legal guideposts involves digital sampling.

Sampling is a recording technique that allows a snippet of music, in the form of a section of binary code, to be lifted out of one piece of music and stuck into another. Thus James Brown's primal screams and John Bohnam's thundering drums have turned up on other artists' recordings after being sampled. Only recently, as the sales of music made up of sampled sounds has soared into the millions, has the legality of the practice come into question.

As copyright law is now written, it isn't clear where sampling fits in. The composition of a song is copyrighted for sheet music, and the original master tape of the song is also copyrighted. But much of what is sampled is a distinctive sound or tone that cannot be reduced to sheet music. Music lovers have long recognized that what makes a performance special isn't so much a particular note, but the way that note is played. Sampling appropriates both the note and its performance.

Despite this, sampled sounds are not of long enough duration to make the new piece substantially similar to the old one—the traditional test for copyright infringement. As of yet no court has found that sampled music constitutes copyright infringement, but record companies already have made a tacit admission that the artists whose music is sampled must be compensated. For several years record companies that own the rights to the recordings have bartered pieces of sampled music back and forth. Now a few artists are being paid royalties by those who use and sell new versions of their music. Although these royalty rates are far from firmly established, the principle that sampled music is the property of its creator is.

A body of case law on the subject is just being developed. The outcome of one case that is expected to have far-reaching effects involves the '60s group The Turtles and avant-garde rappers De La Soul. The Turtles have sued for $1.7 million, claiming that De La Soul lifted an organ line from one of their songs without paying royalties. Across the industry, billions of dollars in royalties and copyright infringement awards could hinge on the outcome.

The high cost of such litigation should spur record companies and artists to develop clear contractual arrangements that protect artists from digital thievery while allowing the full range of digital recording effects to be explored. Given that every section of music, no matter how small, has its own digital code, contracts could be drawn up specifying which section of music is to be used.

Clearly, if an artist chooses not to put snippets of his work on the market, other musicians could not use that work as building blocks for material they intend to sell. Using this approach, no egregious government intervention is needed. Rather, copyright protection would be extended for music much the same way it was extended for books following the introduction of photocopiers.

Constant Change

Because digital audio is so new, there no doubt will be continued calls for government to "solve" the many legal questions it raises. Concerns over pirating will again be voiced when Tandy Corporation introduces its recordable CD this year, and copyright considerations will be re-examined as digital video grows in popularity.

However, we should remember that the reason free societies enjoy such rapid technological advances is that inventors are rewarded for their genius. A government that tries to restrict the availability of new technologies, an ultimately futile undertaking, violates the rights of both inventor and consumer. Likewise, artists should enjoy legal protection for their work and be free to sell their products unencumbered by government restraints.

For as long as principles of property rights and limited government are adhered to, advances in technology are not problems to be solved, but opportunities for free men to seize. □

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Drugs and Dumbness

by Scott C. Matthew

Perhaps the most important question of the 20th century has been a simple one: Who owns the individual? Do I own myself, or do I belong to the state? Clearly if I belong to the state, then drug prohibition is a proper exercise of state power. The state, like any owner, is justified in protecting its property and in using that property as it sees fit. On the other hand, if I belong to myself, then prohibition is a clear and unacceptable infringement of my right to dispose of my property—myself—as I see fit.

In my opinion, drugs are a foolish way for you to spend your time. But since I don't own you, or have any property right in you or legal claim on you, my opinion shouldn't count for much. Your taking drugs in the privacy of your own home doesn't impinge on my property rights. After all, I think comic-book collecting is also foolish. Skydiving and mountain climbing are "dumb." I regard spending ten years training six hours a day for a one-in-a-million chance at an Olympic medal as a big waste of time. But those are decisions I can make only for myself.

What a sad world this would be if everything that the majority (or a vocal minority) thought was foolish were also illegal. Sometimes the one bright spark in a person's life is something most people think is dumb! Why else would they buck strong public opinion just to continue their "foolishness"?

Your temptation is to say that drugs are different, but they are not. Drugs are simply one dumb way to spend your time. Working 80 hours a week while your marriage falls apart and your kids learn to hate you is also dumb. Falling to your death while mountain climbing, leaving your children alone and unprovided for is dumb. Dropping out of school one week before graduation because you "feel like it" is dumb and self-destructive too. Smoking cigarettes and eating fatty foods can kill you. Haven't you noticed that life is full of a million ways to be dumb and self-destructive, and thereby hurt the other people in your life? And you know what—not one of them is illegal! Just drugs.

Now, you still must *behave* yourself while on drugs. If you drive while stoned, you should be in trouble. If you give drugs to children, you should be locked away. If you commit a crime while high, you should do time for the crime. Drugs are not an excuse, but neither are they, themselves, for a *self-owning adult*, anything other than dumb.

A challenge of life is to *not* hurt yourself and others. But it is a challenge we often must face alone. No one can decide for you whether you should work for that gold medal. No one besides you can know whether you should go to law school or hitchhike across Europe. To someone doing one thing, the other thing can appear foolish. Do you want "society" to make this decision for you? Then why should society decide if you can get high?

To me, America is a *deal* we've all made together. It's a deal rarely found elsewhere in the world, and it's what makes America special. I promise to let you be a fool as long as you don't damage my property (including me), and in return you allow me the same freedom. Legitimate governments are instituted among men to protect them and their property from the aggression of others, not from their own foolishness.

With each of us living his own life, we have the chance to make something out of those lives. I should avoid drugs, as I should avoid all dumb things, but the decision on how to live a happy life is necessarily mine to make. It is true that I may fail, but life would be meaningless without that possibility. If, instead of working on improving my own life, I try to save you from being foolish, and you insist on saving me from being foolish, we will each reap nothing but frustration and failure. □

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Trickle Up: A Solution to Third World Poverty

by Barbara Sall

A couple of years ago I was in Haiti for the first time. I was quite anxious about the trip, anticipating masses of starving people begging for handouts of food and money. I was also expecting to see little work or activity amidst these incredibly poor people.

The reality of Haiti was something quite different. The level of human activity was tremendous. People were up at 5:30 A.M. walking to their favorite market spot, setting up lines of old Salvation Army clothing to sell, picking bananas to take to market, and bringing in small catches of fish from the beautiful capes and bays. Tiny charcoal fires smoked up the towns and cities, children were off on errands, and women bartered and sold their produce.

In the midst of all this were the lines of children, all dressed in identifiable private school uniforms, walking to open air one-room school houses.

At 10:30 in the evening they were all still at it; Port-au-Prince abuzz with soft Haitian dialects and singing, and Cape Haitien resounding with the squawking of chickens and the undeniable rhythm of drums signifying a voodoo ceremony going on somewhere in the bush.

I tried to analyze why my preconceived notion of a dramatically poor country differed so much from the reality of Haiti. It must be, I realized, that my idea of what poverty looks like had been based entirely on what I had seen in the United States.

Here in the U.S., and especially in the big cities, poor people are crammed together in government housing projects and ghetto neighborhoods, isolated from the rest of society by freeways and railroad tracks. The inhabitants are given welfare checks, food stamps, and sporadic, confusing "special programs" designed to raise them out of poverty. Subsistence is provided, but opportunities for self-employment are very scarce. There's little productive activity in U.S. slums.

But in Haiti there are no welfare checks. To survive, people must work very hard. They gather what little they can of value and spend the long hours of the day trying to find a market for it.

In my wanderings in the markets, I asked people how they managed to sell their Bic pens, bars of soap, record albums, and used clothing. One man replied that the price of rice had recently fallen 50 percent, which allowed some people the luxury of buying small consumer goods. I watched as a child sold Chiclets to a well-dressed matron in a brand-new Cherokee wagon. And there was constant bartering among the inhabitants that allowed soap, food, and basic supplies to change hands.

All this activity exists in what Hernando de Soto, Peruvian author of *The Other Path*, calls the "informal economy." Participants pay no taxes, pass no regulatory guidelines for sanitation or market-stall location, and exist by their own efforts. In this way Haitians have been able to overcome Baby Doc Duvalier's monopolistic policies that strangled the middle class, to feed most (but tragically not all) of their children, and survive.

Poor Haitians aren't the only families in Third World countries working hard to keep body and soul together. People in Indonesia, Pakistan,

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BARBARA SALL

"Tap-taps"—private buses in the form of converted pick-ups—provide cheap transportation, a way to earn a living for Haitian businessmen.

Kenya, and Bolivia, among others, participate in free-wheeling "informal" market economies requiring tireless efforts to maintain extremely low levels of existence.

The Trickle Up Program

Marching into this wide-open system of the "informal economy" is a private program for assistance that truly recognizes the ability of the poor to work hard and lead productive lives. It's called the Trickle Up Program and is directed out of New York by Glen Leet and Mildred Robbins Leet. During the past ten years of its existence, the Trickle Up Program, or TUP, has achieved some remarkable successes in Africa, South America, Asia, and the Caribbean largely by recognizing that element of self-help and entrepreneurism so rampant in undeveloped countries like Haiti.

Grants are made by TUP to selected groups of five or more people after a business plan is reviewed for them by unpaid TUP project coordinators. The maximum grant is $100, and recipients must pledge to reinvest at least 20 percent of their profits in their businesses.

In the past ten years, more than 90,000 individuals have participated, 15,000 businesses have been started in 86 countries, and over $7.5 million in profits have been generated from TUP-funded businesses. All of this has been achieved without the involvement of governments, large staffs, or social researchers.

By now, you probably see why it's called the "Trickle Up Program." Funds aren't lavished upon government entities in poor countries with the hope that a small portion will somehow "trickle down" to the very poor. The grants go directly to the cagey entrepreneurs of the streets, including those in Port-au-Prince, Haiti.

Here's how the program works in the clearest presentation I could find—the words of a project coordinator in Jakarta, Indonesia:

> Of the 81 women [in the project], Salima was definitely the worst off in all aspects of life. She and her husband Tukiman and three children lived in the smallest packing crate in the slum. Every week . . . Salima would greet us by begging for money. . . .
>
> Finally I said, there is a program where you can get money if you get five people together and produce something and sell it. Well, Tukiman was already making some money by finding old sandals and repairing them to sell. They found six other people who could either make

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or sell sandals and, with my help, they filled out the TUP business plan form and decided how they would spend the TUP $50 conditional grant. . . .

The Tup business report showed that eight people worked. . . . A total of 19 people benefited from the business. They produced 180 pairs of shoes and sandals. Their income from sales in 15 months was $176. They saved and reinvested 65 percent of their profit in their business. . . .

They were very enthusiastic when we met to fill out the final report. When I asked them if the business would continue they said, "It will continue until we die."

The joy of this program is the concrete proof it provides of the success of free market processes among the poorest people in the poorest countries of the world. It also confirms the fact that self-worth and a decent life earned by an individual's own labor are far more precious than billions in relief funds.

Why Are Results Ignored?

The tragedy of this program is that its results are ignored by the dispensers of billions of dollars to the Third World nations. This is summed up by the Leets in their September 1989 newsletter:

> *The World Development Report* of 1988 published by the World Bank concluded: "Poverty in the developing countries is on the rise. Between 1970 and 1980 the number of people without adequate diets in developing countries increased from 650 million to 750 million people. Since 1980, matters have turned from bad to worse: economic growth rates have slowed, real wages have dropped and growth in employment has faltered in most developing countries."
>
> If an amount equal to 10% of the $320 billion [development aid spent by the 19 donor countries that are members of the Organization for Economic Cooperation and Development (OECD)] was used with the Trickle Up process it would give the opportunity for 1.5 billion of the poorest of the poor to start 206.5 million businesses in which they would invest 770.5 billion hours of their underemployed time. This would end involuntary unemployment, which is the major cause of poverty on this globe.

The Leets then ponder the reasons their successful program has been ignored for so long by the major players in the Third World assistance game. They question their own efforts at getting out the word of their success and point out that direct assistance to the poor runs counter to "conventional wisdom."

Unfortunately, they make one wrong assumption about inter-governmental development agencies. The Leets state, "They do care about poverty." Although it's true they care about poverty, I'm afraid it's more in the manner described by Kimi Gray, welfare mother/housing advocate from Washington, D.C. "Poverty," Ms. Gray said on an October 1989 National Public Radio broadcast, "has been very profitable for everyone but poor people."

Tapping the energy of poor people around the world and directing it toward free market pursuits could result in an enormous increase in world wealth. Continuing to subsidize inefficient, centralized, and crippling governments will only keep those people and families on the edge of survival.

After personally witnessing the strength, beauty, and dignity in which the poor work for their own survival in Haiti, I became convinced of the ability of people to care for themselves and their families, if only they can be released from the economic restrictions imposed by governments. By recognizing this fact, the Trickle Up Program is definitely part of the solution to world poverty. On the other hand, massive infusions of money and capital to Third World governments is definitely part of the problem. □

Readers may contact TUP, 54 Riverside Drive, New York, NY 10024-6509, for further information.

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The Great 19th-Century Timber Heist Revisited

by T. J. Iijima and Jane S. Shaw

In the second half of the 19th century, the timber industry cut down large stretches of native forest around the Great Lakes, leaving the land denuded and mills abandoned. Historians and, more recently, environmentalists have portrayed this episode as one of the worst environmental disasters of the 19th century. It has come to symbolize the view that capitalists will always destroy natural resources if they can make short-run profits by doing so.

However, the conventional wisdom about the Great Lakes timber harvest is incomplete. While it is legitimate to regret the logging of those trees, we should consider the reasons they were cut and the benefits that resulted. This article, based on the historical record, will make the following observations:

- Given the vast stands of timber in the United States and the demand for lumber for construction, the harvests were economically sound.
- The chief concern about the harvest at the time was that it would produce a "timber famine"—but this fear was based on poor understanding of economic forces. The nation was never in danger of running out of timber.
- While the denuding of land is offensive to people today, to the people of the 19th century, turning forestland into farmland and providing lumber for construction were more important than the aesthetic condition of the land.
- Most of the timberlands regrew over time, and some stands of virgin timber remain.
- Society generally—and the Great Lakes region specifically—benefited from the harvests.

This article is based on a study prepared by T. J. Iijima while he was a Research Intern for the Political Economy Research Center (PERC), 502 South 19th Avenue, Suite 211, Bozeman, Montana 59715. Jane S. Shaw is a Senior Associate of PERC. The article was originally published as part of the PERC Viewpoints *series.*

Did the Timber Barons Miscalculate?

A common theme of historians writing about the timber cuts of the upper Midwest is that the barons of the timber industry, perhaps reflecting the general opinion of the day, mistakenly thought that the Great Lakes timber would last forever. Andrew Rodgers, a historian of American forestry and plant sciences, is typical: "It was assumed that the continent's forest resources were inexhaustible," he writes. Robert Fries, in an award-winning book on Wisconsin's economic history, states that "the very immensity of the forest[s] led most people to take them for granted, much as they did the sunshine and the air about them."

But these claims about the dominant thinking at the time are overstated. Two economists, Ronald Johnson and Gary Libecap, have concluded that there was no serious industry-wide misinformation about the supply. Had there been a serious misjudgment, they point out, prices would have gone up rapidly at the point that people recognized a pending shortage of timber. There never was a run-up in prices and there never was a shortage.

Johnson and Libecap examined stumpage prices (the prices of standing timber). Writing in the journal *Explorations in Economic History*, they reported that rates of return on timber invest-

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ments were relatively constant through 1900; the rate of change in stumpage prices hovered around 6 percent per year or within approximately one percentage point of the prevailing yield on railroad bonds over that period of time. A look at the price of processed wood reveals a similar steady increase from 1789 to the 1930s.

The timber industry included savvy men who recognized the future value of the timber. This differs from their portrayal as reckless men who rushed into the prime timberlands, ravaged them, and quickly deserted them in search of more opportunities. For example, Philetus Sawyer, a lumber tycoon and U.S. Senator, started his fortune with well-placed purchases of forestlands. Some of these he kept off the market for as much as a quarter-century. He profited because he went to the expense of investigating the quality of forestland and invested capital in trees whose value would not be realized for some time.

Cornell University presents another example. As a land-grant college, Cornell obtained from the government rights to nearly a million acres, about half of which were in Wisconsin. Ezra Cornell, the school's founder, hired a talented and well-placed land agent who meticulously chose stands and skillfully negotiated sales to lumber mills over a number of years. The land was obtained in the 1860s, and most was sold by 1890, but final sales were not completed until 1925. The better tracts of land, which at times were barely worth $5 an acre, were eventually sold for $20 and more. Cornell's richest tract of land sold for $82 an acre.

Thus, it appears that what the timber industry did was sound on economic grounds. Even if some firms or entrepreneurs unwisely cut down trees, other firms could easily respond by holding back their supplies in anticipation of increasing prices. The interplay of these judgments led to a gradually increasing price of timber, not to erratic prices or unusually high prices.

What Stopped the Timber Barons?

But even if the timber barons acted intelligently, they did cut down many square miles of virgin forest, and they did not replant. Some prominent people of the day thought that the timber barons would cut down all the trees they could—that, if left to themselves, nothing would stop them. Bernhard Fernow, the first chief of the United States Division of Forestry, exemplifies this view. He wrote in his 1902 book, *Economics of Forestry*:

> The natural resources of the earth have in all ages and in all countries, for a time at least, been squandered by man with a wanton disregard of the future, and are still being squandered wherever absolute necessity has not yet forced a more careful utilization.
>
> This is natural, as long as the exploitation of these resources is left unrestricted in private hands; for private enterprise, private interest, knows only the immediate future—has only one aim in the use of these resources, namely, to obtain from them the greatest possible personal and present gain.

Fernow was far from alone. Theodore Roosevelt predicted that if "the present rate of forest destruction is allowed to continue, with nothing to offset it, a timber famine in the future is inevitable." (He is quoted in Sherry Olson's book, *The Depletion Myth*.) In fact, of course, the country has never experienced this timber famine. Why? The economics of supply and demand offers an answer. It explains why the timber industry did not eliminate all the wood in America and why, in spite of centuries of doomsday predictions, no significant natural resources (exhaustible or renewable) have actually been exhausted.

As prices of a commodity increase, consumers tend to reduce their purchases and look for alternatives. As they do, producers have an incentive to find materials that they can produce more cheaply to retain customers or obtain new ones.

As prices increased in the late 19th century, timber companies looked for alternatives; stands on the West Coast gradually became more attractive, as did the Southern pine forests after the 1876 repeal of the Southern Homestead Law opened these forests to logging. By the turn of the century, timber from the South and Far West began to dominate the market.

Similarly, consumers responded to higher prices by conserving wood. The railroads were a major customer for lumber, which was used in bridges and railroad ties. As railroad company executives began to foresee scarcity, they began researching ways to protect wooden bridges and ties against decay, develop steel ties and bridges, and design bridges more efficiently. So, gradually rising prices

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of Midwestern timber led to the disappearance of the Great Lakes timber industry.

Were They Wasteful?

A related criticism by conservationists then and now is that the industry used inexcusably wasteful procedures in logging and milling the forests. Not only did the timber companies cut down vast stretches of forest, they didn't even use much of what they cut. Historian Frederick Merk, for example, reports: "It has been estimated that not more than 40 per cent of the magnificent forest . . . ever reached the sawmill." Robert Fries cites an estimate that a billion more board feet could have been produced in the years 1872-1905 had band saws been used rather than muley and circular saws.

If "wasteful" means that wood was thrown away that could have been processed and used, then the critics are right. But why were loggers so little concerned with conserving good wood?

At the time labor was scarce and expensive, as it was throughout much of U.S. history; in contrast, resources such as land and water were abundant and cheap. In 1871, the average daily wage of a skilled laborer in the United States was $2.58; at the time, good pine stands could be obtained for $4.00 per acre. During the Civil War, labor costs were particularly high and workers were scarce in the pine forests. "In 1864 . . . the wages of loggers in the northwestern pineries of Wisconsin ranged from $3 to $4 per day including board," writes Merk, who points out that all sawmill innovations were designed to increase output or save labor. Little effort was made to save lumber "since timber was still cheap and abundant."

The disparity of value also explains why the timber industry failed to replant as it does today. Wood was worth too little to justify using expensive labor. It would take 70 or more years before newly planted trees could be harvested, and forest regeneration occurred without human intervention anyway. Furthermore, property taxes made preservation more expensive. Forested land was usually taxed at a higher rate than unforested land. This gave owners an incentive to remove the trees. Once the trees were cut, taxes went down, but they still existed. With taxes due, but with the land unable to produce timber for many years, some owners abandoned these properties.

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A champion load of logs on a sled, Michigan. The numbers painted on the log ends seem to indicate the weight of each. The total for this load: 7474 pounds.

Farming was of much greater value than setting land aside for forests, so much of the cut-over land was sold to settlers. Eau Claire, Wisconsin, once a major logging center, is now in the middle of a large farming area. Today, most land in the Great Lakes area is either productive farmland, timberland, or recreational land used by fishermen, hunters, and hikers.

A Matter of Aesthetics

It is true that, in the course of half a century, most of the old-growth timber (that is, timber that hadn't been touched by humans) in the Great Lakes area was converted from majestic age, grandeur, and beauty to what many would call wasteland. Nearly all the denuded lands have since either regrown into forest or been turned into farmlands; however, in a few small areas, because of the poor quality of the soil, the forests have never regrown.

Further, while the Great Lakes states today contain many thousands of acres of regrown forestlands, they contain only very limited amounts of old-growth forestlands. This is an aesthetic and environmental cost.

But people living in the middle of the 19th century saw the issue differently. They did not consider harvested forests a "wasteland." Indeed, the forests were the wasteland. A Wisconsin historian

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writing at the time of the timber harvests praised the lumbermen on the Upper Wisconsin for their ability to reduce "those wild wastes, into a land of productive industry, equalled by no other in the state—scarcely in the west."

Even the people who became known as "conservationists" late in the 19th century were not primarily concerned about how the land looked; they were worried that the destruction would cause a dearth of timber. Conservation began to become more popular as the damage of widespread logging became evident, but these logging activities continued to be viewed generally as beneficial to the country.

Most of the population wasn't wealthy enough to concern itself with environmental amenities—per capita G.N.P. today is nearly ten times what it was then. Making sure there would be food on the table was a real daily concern, and fewer people had the time or resources to backpack, canoe, fish, or hunt for leisure. Setting aside land for regrowing forests would have reduced the average standard of living even further.

Although the widespread view is that the Great Lakes forests were totally destroyed, the fact is that we do still have virgin stands. What saved them was primarily the economics of their location. Timber stands that were largely inaccessible, difficult to log, or sparsely wooded (on steep hills, for example, or in swampy areas) were generally untouched throughout the 19th century—logging would not have been profitable. In Northern Michigan and parts of Canada, many thousands of acres were spared; fewer were bypassed in Minnesota and Wisconsin, where the terrain is less rugged and the forests were closer to population centers.

As the public became more interested in leisure, recreation, and the environment, many of these stands were purchased and preserved both by private individuals and the government. Even land that had been cut was purchased and the timber was allowed to regrow, resulting in beautiful lands today. Examples abound: The "Sylvania Tract" of Ottawa National Forest, the Huron Mountain Club near Big Bay, Michigan, the "McCormick Tract," just south of the Huron Mountain Club, Porcupine Mountains Wilderness State Park in Michigan, and some parts of the Boundary Waters Canoe Area in Superior National Forest all contain some virgin timber. Ironically, the forests of the Porcupine Mountains were nearly logged under Department of Defense contracts during World War II. Private markets had not yet deemed the timber worth the costs of harvest, but the government wanted to cut the trees.

Benefits to Society

Had the forests of the Great Lakes region been off limits as a resource to settlers, Americans would have paid a significantly higher price for what lumber they could get. This would have placed even more hardships on them than they already faced, and would have slowed the country's economic growth. The profits from timber harvests benefited the nation as a whole and specifically benefited the regions in which the industry operated. Agnes Larson, who wrote about the white pine industry in Minnesota, states that the harvests had "as a direct result the more rapid settlement of the region and the better housing of its people."

Consider the Kingston Plains, a 40-square-mile area that has never recovered from the logging of 100 years ago. Efforts have been made to replant the area, but the soil is too infertile and sandy. It probably took hundreds of years for the original forest to grow, and it will take hundreds of years for the area to return to forest. The land is virtually useless now, so it is clear that cutting these trees represented a substantial cost to society; but what was the benefit?

At the time the trees were cut, good timber stands in the Great Lakes area were selling for around $20 per acre. To estimate the value that society received from the harvest, suppose that the income from selling these trees had been invested in bonds or some other form of savings at the time. If those bonds or vehicles continued to return interest, the original amount would have grown to approximately $110,000 per acre today. For the 40 square miles, this is $2.8 billion—in other words, society, at least in theory, so far has reaped an estimated $2.8 billion in value from cutting down those trees.

If those trees had been left standing, would the benefits derived over the past 100 years from having the land available for wildlife habitat, hiking, and other recreational activity have been worth forgoing the benefits that came from cutting them down? The answer to that question is highly

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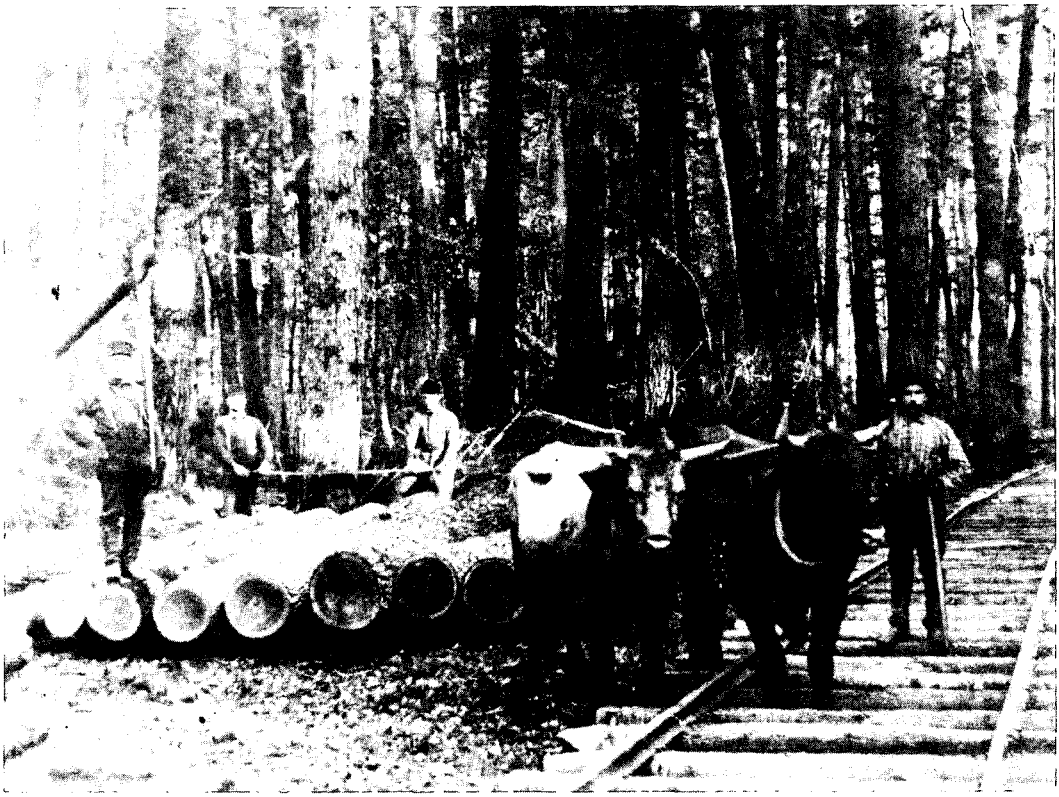

THE BETTMANN ARCHIVE

An ox team pulling lumber, c. 1890.

subjective, but such trade-offs are often ignored.

Looking at the problem from an economic perspective, then, the Great Lakes timber stands were harvested in a responsible way. The fear of a timber famine, which led the federal government to create the Forest Service, reflected poor understanding of natural resource economics. The number of acres harvested was the result of interacting forces of supply and demand; as these changed, people harvested or held back timber as they saw fit. The result was a slow but steady rise in the price of lumber. This rise ultimately led customers to substitute other materials and led the timber companies to find additional sources of wood in the West and South.

(In contrast, by the way, the Forest Service today responds to political forces in deciding how much to harvest. Many environmentalists criticize it for cutting trees that would never be logged if supply and demand were allowed to operate.)

Our modern concern about the "timber heist" reflects a growing interest in preservation that has gradually developed over time. In the late 19th century, Americans wanted additional farmland and lumber more than they wanted to preserve the forests that would supply that land and lumber. As Americans have achieved more leisure and affluence, they have wanted more preservation and restoration. That change in attitude has occurred in the Great Lakes region as well as the rest of the country, and it is a good thing. But does it justify condemning our ancestors who, because they were poorer, did not have the aesthetic consciousness many of us have today? □

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Let the Market Protect Consumer Safety

by John Hood

You're the new chairman of the Consumer Product Safety Commission. It has come to your attention that a number of children under 5 years of age have been poisoned by overdoses of aspirin. A research associate comes up with a solution to the problem: require child-resistant caps on all aspirin bottles in the United States.

His reasoning seems sound: make it more difficult for children to open aspirin bottles and fewer children will be poisoned. The caps may cost more to manufacture than regular screw caps, but the drop in child poisonings, he tells you, will be worth the expense. So you pass the regulation. And child poisonings slightly increase.

This is not a hypothetical case. In 1970 Congress passed the Poison Prevention Packaging Act to authorize Federal regulations that would address the child poisoning issue, and two years later protective safety caps were required on aspirin bottles. Since then, studies have shown that the requirement resulted in no significant drop in aspirin poisonings among children (the rate has come down, but not because of the rule—poisonings have gradually fallen since the 1950s). And the safety-cap rule may well have caused a slight rise, again adjusting for historical trends in the rate of non-aspirin poisonings.

How is this possible? Kip Viscusi of Duke University attributes the failure of the safety-cap standard to the "lulling effect" of government action: parents feel less need to take precautions about storing aspirin and other medicines away from their children because the caps are "child-proof." Viscusi also suggests a design problem. "Consumers may leave the bottles open rather than grapple with caps that they find difficult to open," he says, making the medicine more available to children.

It would be unfair and unwise to fault all government regulation of product safety because of the safety-cap debacle—if it were an isolated case. But it is not. Since the creation of the Consumer Product Safety Commission in 1972, its sweeping mandates have hurt consumers, impaired product development, and bungled the job of promoting safety.

During a brief period in the second half of the Reagan Administration, the CPSC was less a nuisance, chiefly because of its deregulation-minded chairman, Terry Scanlon. But since he —and Reagan—have passed the reins of power to others, the CPSC may well resume its activist role with bans, recalls, and mandatory standards.

The regulatory burden might not be as infuriating if consumer product safety had been vastly improved by CPSC actions. But the evidence suggests otherwise. In 1985 Viscusi reviewed general accident statistics and specific cases of commission regulation for *The Journal of Law and Economics* and found "no evidence of any significant beneficial impacts on product safety." Home-accident rates, which have been falling steadily since at least the 1930s, were affected by changes in per-capita consumption and income, but not by changes in CPSC regulation.

If CPSC regulations simply failed to pan out, that would be one thing. But in many cases the regulations actually make consumers less safe by affecting product price and availability or by

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"jumping the gun" on research. In one well-publicized case, the commission required children's pajamas to be treated with TRIS, a fire-retardant chemical. Later it was discovered that TRIS caused cancer in laboratory animals, so the commission had actually mandated an increased risk of cancer.

In another case, the Commission took action against a product called Worm Gett'r, which uses electricity to flush earthworms to the surface of the ground, where they can be easily harvested for fish bait. After one injury involving the Worm Gett'r, the CPSC wanted to ban it, although 28 people had been fatally electrocuted since 1971 using home-made devices such as hot-wired golf clubs, which the Worm Gett'r is designed to replace.

The Consumer Product Safety Commission fails so frequently not because of incapable staff, or contempt for consumers, or bureaucratic malfeasance. Consumer safety is simply not an area in which categorical government actions can be successful. Every consumer is different—in taste, in wealth, in the willingness to take risks. These differences cannot be wished away or eliminated through regulation. And when the Commission tries to do so, consumers and producers of the affected products react in unanticipated ways.

Most accidents are completely unpredictable. They depend on the mannerisms and behavior of a consumer, the time of day, the weather, and just blind luck. This information is not available to regulators in Washington, and cannot be reflected in CPSC directives. But it can be reflected in a free market.

Regulators all too often view product-safety questions as static yes-or-no cases: if John Smith had not been holding an electric worm probe, he would not have been electrocuted by the probe. The real question is what John Smith would be holding and doing if the worm probe were unavailable. There are as many answers to that question as there are John Smiths. □

IDEAS ON LIBERTY

Freedom to Err

If the customer is left free to make his or her own selections, many of the selections made will be unwise, or even stupid, when measured by the standards of different people who have different tastes or desires. The real question is whether or not a person of mature years should be free to make mistakes. Should he be free to select an unsafe automobile, or at least one without seat belts, if that is what he wants? If his vehicle is more likely to create a special hazard to others who are legitimately using the highway, that is one reason for denying him the privilege of being on the road. But suppose the only danger is a danger to the customer himself. Should he be compelled to protect himself from that danger even though he would prefer to assume the risk? The interventionist would answer, and has answered, that question in the affirmative.

The interventionist would tell all customers that they should not be permitted to pay a higher price for a product in order to get it into a package of a unique or colorful size or shape. The interventionist is opposed to letting the consumer examine the article and act on his own judgment. The consumer must not be allowed a freedom of choice. For if he is allowed such freedom, he might hurt himself. And to allow him to hurt himself, that is, to allow the doctrine of *caveat emptor* to operate, would be immoral.

. . . Unwittingly, the interventionist is striving toward a rather drab society where the introduction of new products will be delayed or prevented, and the variety of articles being offered will tend to decline.

—Bertel M. Sparks

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Israel's Grassroots Libertarian Revolution

by Sam Lehman-Wilzig

The Israeli government is freeing up the country's over-bureaucratized and over-regulated economy. However, this is no revolution from on high; rather, it is the Israeli public that has forced the government's hand. For the first time in that nation's young history, the citizenry—rather than the leadership—is calling the shots and setting the pace. The lessons to be learned have implications far beyond Israel's borders.

It is important to start off by understanding just how radical a break from the past is this recent libertarian phenomenon. From its inception in 1897, the Zionist movement has always taken a paternalistic approach toward nation-building. With the immigrant Jewish masses mostly impoverished, with few natural resources in Palestine itself, and with a general socialistic orientation naturally encouraging "governmental" (not private) initiative, virtually everything in pre-Israel was planned, financed, and developed by the powers-that-be. Indeed, paradoxically, the occasional pioneer who wished to go it alone invariably ended up establishing a *kibbutz*—the most collective form of socio-economic organization imaginable. In any case, Israel was not developed in the same fashion as the American West. The latter was marked by "rugged individualism"; the former by "ragged corporatism."

Thus, even after the State of Israel was established, the "top-down" approach not only was encouraged by the authorities, but had become the accepted way of doing things by the Israeli public at large. Israel's first prime minister David Ben-Gurion even proclaimed it to be national policy: *Mamlakhtiut*—"statism." Instead of a pluralistic system emanating from the interests and predilections of the citizenry, Israel was to be built up through government unification and direction of as many economic, social, and cultural institutions as possible.

At first, this policy proved to be quite popular. Companies on the verge of bankruptcy? The government would save them. Housing in short supply? The government would build more. Entertainment lacking? The government would establish a (monopoly) television station. And so it went.

Until the early 1980s. Several reasons were behind the none-too-gradual shift away from such government paternalism. First, as Israel became more closely linked to the U.S. from an economic and especially a cultural perspective, Israelis began to view the American way of doing things as more modern and progressive than their own traditional approach. Indeed, in the late 1970s and early 1980s the chief economic guru and media star was none other than Milton Friedman, who visited Israel and whose ideas were eagerly sought after by government and public alike. (An indication of his continuing popularity is the latest joke making the rounds in Israel. The country is in the midst of a massive shift from the six-day to the five-day work week. As the apocryphal story goes, the government turned to him to advise it on the feasibility of such a change. His finding: "It would be a good idea to move the Israeli economy to a five-day

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work week—but do it slowly. First ensure that everyone works one day a week, then two. . . .")

A second reason was that with the election victory of the economically liberal-minded Likud in 1977, the "establishment" was no longer perceived as being intrinsically paternalistic. Private initiative and personal volition had been given philosophical legitimacy for the first time in Israel, although it still would take some time for the government to put its money (really the public's money) where its mouth was.

Finally, the population had by then become predominantly middle class, with far less need of all-embracing social welfare programs which were a huge burden on the personal pocketbook. The Israeli public had come of age: economically able to go it alone, and psychologically willing to stand on its own two feet.

But if the public's newfound will developed into an increasingly irresistible force, the political establishment's conservatism constituted an almost immovable object. In a country where the voters couldn't easily punish their representatives electorally (the vote is for party lists, not for candidates), and security issues in any case dominated the election campaigns, how were the Israeli citizens to change the system? By hook or by crook—literally

Damming the Tide

Examples from several areas of socio-economic life should suffice to understand the general approach. The common thread here is the willingness of thousands—on occasion hundreds of thousands—to circumvent what they perceive to be unduly restrictive regulations, institutions, and laws. Faced with a "revolt of the masses," the political establishment has been rushing of late to dam the tide, and when that has proved impossible, to channel the raging river of change.

1. *Mass Media*: After years of government monopoly in Israeli radio and television (the latter was established only in 1968), Israelis began to take matters into their own hands in the 1980s. Not only did VCR purchases skyrocket (by the middle of the decade Israel ranked second in the world—behind Saudi Arabia—in per capita VCR consumption), but a more "insidious" phenomenon began to appear: pirate cable television. Despite their being strictly prohibited by law and actively pursued by the authorities, such stations sprouted as mushrooms after the rain with an estimated quarter of a million subscribing households (in a nation of barely one million family units).

Giving in to the overwhelming market demand, the government finally threw in the towel and in 1988 passed Israel's cable TV and regional radio law, which will considerably expand the mass media in that entertainment-and information-thirsty country, commencing in early 1990.

2. *Health*: The public "revolt" here has taken several routes. Traditionally, virtually everyone in Israel belonged to a health plan (akin to American HMOs), with 90 percent of the Israeli population having membership in the system run by the giant labor federation Histadrut. The major problem with the Histadrut health system was that, given its socialistic orientation, the patient could not select the doctor or hospital of choice; rather, patients were arbitrarily assigned their physicians by the plan's bureaucracy.

As a result, the Histadrut system began to lose members in the 1980s at the rate of about 13,000 a year, not to mention a severe drop in new memberships taken out by the younger generation of Israelis. Most recently, the Histadrut has bowed to this increasing hemorrhage, and turned to the "free choice" plan offered by its small competitors. Whether this will stem the tide remains to be seen, but "forced choice" as a health policy is no longer viable in Israel.

More socially problematic is what has become known as "black medicine." Under Israel's quasi-socialistic and highly bureaucratized health system, there is often up to a year's wait for elective surgery (and for some serious, but difficult, non-elective operations such as open heart and kidney). Increasingly, patients have turned to doctors for a "private consultation" after hours, and then have been moved to the head of the operating queue by that same doctor who "happens" to be the hospital's department chairman.

Not that such maneuvering always begins with sinister intentions. Because of the low base salaries paid to Israel's physicians, care and treatment in the public health facilities can be quite cursory and deficient. As a result, tens of thousands of Israelis have taken to bypassing (or supplementing) their official health plans with private visits to physicians in the latters' after-hours. Once again, as a result of this grassroots "desertion," the authori-

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ties have given ground, with a new system being worked out which would enable those willing to pay for the privilege to be treated in the public health facilities after hours.

3. *Education*: Perhaps the hottest social issue in Israel today is "gray education." Public education has suffered massive budgetary cutbacks over the past five years, and many parents are very concerned and upset with the present state of affairs (elementary school children are given less than four hours of instruction a day). Consequently, parents by the thousands are organizing and paying for after-hours classes inside and outside the schools to supplement or enrich their children's education. This has burgeoned into a quasi-private educational system, in direct opposition to the official policy of educational equality.

And therein lies the rub. Much of the educational establishment is against such a movement which threatens to enable some children to receive paid "enrichment" while others don't. The more well-to-do parents, of course, don't see it that way, but rather as giving their children the best education possible. If other parents can't do this, then they should complain to the source of the educational deficiency: the government.

Complicating matters even further is the fact that such afternoon enrichment programs (in many cases not "enrichment" at all, but rather replacement of subjects completely jettisoned in the cutbacks), tend to be far more remunerative than the truly meager regular salaries of Israeli teachers. The result is that the best teachers (in greatest demand for the afternoon programs) leave the regular school system altogether, as they can make a better living concentrating their energies exclusively on such after-hours work.

The educational establishment's antipathy to "gray education," then, is double-edged—a matter of social philosophy and pedagogic self-preservation. On the other side are parents who see it in terms of free choice for quality education, and teachers who seek an improved livelihood. While this struggle has not been settled yet, the latter seem to have the upper hand. However, the egalitarian-minded establishment will not give up this one without a serious fight.

4. *Finance*: For unadulterated surrealism, nothing beats Israeli public financial policy. For starters, given the relatively high rates of inflation over the past decade (over 400 percent on an annualized basis in 1984), periodic devaluations became *de rigueur*. However, instead of the government deciding the timing of such devaluations, almost invariably it was the public (in anticipation of devaluation) who bought foreign currency—thereby forcing the authorities to devalue before the country's foreign currency ran out. It need hardly be added that this didn't help the situation at all, as the public already had protected itself from the oncoming devaluation through its foreign currency purchases. Thus, the next devaluation round was already set in motion, in a never-ending spiral of the government cat futilely chasing the public mouse.

Here, too, illegality reared its head. Trading in foreign currency is against the law in Israel unless done through the recognized banking system. Yet the public blithely ignores this, and not only is the "black currency" market well-developed, but due to public demand, the Israeli newspapers publish the "black dollar" rate on a daily basis. What the government legislateth, the public taketh away. . . .

On still another financial front, the public's rational economic behavior has forced the government into a broad retreat. At one point in Israel's history, income tax rates had reached a confiscatory (not to mention counterproductive) high of 80 percent. Due to massive tax evasion on the part of anyone who had the opportunity (the underground economy in Israel is estimated at 15 percent of GNP), the authorities have been forced to bring down the upper bracket to 48 percent, with promises of further reductions to stimulate economic growth.

The Israeli Stock Market

One could continue almost endlessly. One more example in the economic realm, though, should fill out the general picture. When the Israeli stock market collapsed in 1983 as a result of price manipulation by the banks of their own stock (worth approximately one-half of the entire market), the public pulled out and has not returned since. Once burned, twice shy? Not really. Rather, the public hasn't been willing to play in a game where the deck is heavily stacked against them.

Most of the shares in the Israeli market are non-voting. This essentially means that those who control the relatively few voting shares (sometimes as

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low as a mere few percent of all outstanding company shares) decide on all matters of corporate policy—and it is no coincidence that many of these shares are tied to management in one form or another. Thus, here it is public inaction (staying out with arms folded) that has caused the government to shift course. At present, movement is afoot to turn all shares into voting shares (whether through stock market fiat or governmental legislation isn't clear at this stage). Once more, the barons have retreated in the face of their sovereign: the public.

Several lessons may be learned from the Israeli case which are applicable in part to the revolution occurring through much of the Soviet and Eastern European Communist bloc.

First, it is not necessarily the most impoverished countries that may find themselves in the throes of public anti-paternalistic pressure. Indeed, if Israel is representative, then one can posit that the more advanced (economically) the socialist society, the greater the libertarian urge on the part of the increasingly "mature" citizenry. This is not merely a matter of economic self-interest (greater personal control of more disposable income), but of psycho-political desire. Such societies invariably have raised their general educational level, and concomitantly there emerges the need for personal expression through, and beyond, economic gratification.

This in essence is Abraham Maslow's scale of graduated gratification extrapolated to the public at large. Once a certain level of economic sufficiency is reached, personal self-expression becomes the goal of man. In that sense, collectivist societies are by their very nature self-destructive. The more they succeed (assuming that they manage to succeed at all) in raising their population's material standard of living, the more that population feels a lack of psychological quality of life.

This would explain why East Germany and Hungary recently have come under such severe popular pressure to reform themselves politically. On the face of it, these are the two Communist countries which have done a relatively good job of satisfying their population's material needs. Why, then, the internal political uproar? Precisely because economic "prosperity" leads to political maturity. Such a public cannot be treated any more as untutored servants of the state.

The obverse lesson for the Soviet Union is not so sanguine, at least for the short term. If it took Israeli society about three decades to mature and grow out of its paternalistic cocoon, then one cannot expect the Soviet people immediately to know how to exploit their newfound freedom—especially as their glasnost was provided from the top down, in paternalistic fashion if you will.

Liberty's Carry-Over

Beyond this, it is clear that once the public begins to breathe the air of personal freedom, such liberty cannot be compartmentalized into a few specific areas of the government's choosing. While the Israeli grassroots revolution may have started in the economic realm, the carry-over to education, health, and information/entertainment, was relatively swift and universal.

This is a lesson that the Communist Chinese leadership is beginning to understand, although its most recent response has been to try to turn back the clock in both the economic and political realms, instead of progressing on both fronts. But this Pandora's box cannot be hermetically re-shut once opened. Mikhail Gorbachev, on the other hand, generally understood this relationship from the start; it is no coincidence that glasnost (political freedom) and perestroika (economic freedom) were introduced at about the same time. From this perspective, at least, the Soviets are liberalizing their system in the right fashion, as are the Poles and Hungarians.

Finally, as was the case with Israel's pirate cable TV, "black medicine," and gray education, there seems to be no avoiding a certain increase in quasi-criminal behavior, at least over the short term. There are two reasons for this.

First, in any radical changeover from a stultified, centralized system to an open, multi-choice one, institutional asymmetries will inevitably exist. Thus, while the expectation is of immediate freedom across the board, the reality of development in certain social realms will lag somewhat behind others. It is in these retarded areas where parts of the public may take things into their own hands to speed the process along in order to bring them up to the more developed areas in society. By definition, most of such "expediting" will involve anti-normative, if not outright illegal activity.

Second, there always will be those who are inca-

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pable of handling such freedom in the way that it was meant. Give some children $100 in a candy store, and they will most likely buy as much (or more) than they can carry. Remove overbearing governmental strictures "overnight," and some adults will have trouble differentiating between freedom and license. This is not so much the price of undue liberty, but rather of overdue liberation. Freedom takes a little getting used to, but this minor problem is surely worth the ultimate goal of an unfettered life.

In the final analysis, then, the really important aspect of Israel's dismantling of socialism—as well as similar processes in such countries as Poland and Hungary—is not that the well-educated policy-makers have become aware of their system's economic and philosophical bankruptcy, but rather that the less "sophisticated" citizenry are the source which pushed them to act. In such a situation, there is little chance of turning back the clock. There is all the chance in the world that the new system taking its place will be successful and stable, once the not-inconsiderable transitional difficulties are overcome. □

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First Prize ($1500): Sofia G. Bump, George Mason University, Fairfax, Virginia, "Why State Schools?"

Second Prize ($1000): Eric Christian Pearson, University of Wisconsin—Stevens Point, "Education and the Free Market"

Third Prize ($500): Gregory Mulhauser, Willamette University, Salem, Oregon, "Silver Anniversary"

Honorable Mention: Brian L. De Spain, Boston University, Boston, Massachusetts, "Individual Choice and Education"; Jeff Miller, Wittenberg University, Springfield, Ohio, "Free Education: The Re-establishing of Responsibility"

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First Prize ($1500 Scholarship): Miranda S. Doyle, Live Oaks High School, Morgan Hill, California, "The Need For a Private Educational System"

Second Prize ($1000 Scholarship): Jennifer Kelley, Sammamish High School, Bellevue, Washington, "Education and Individual Freedom"

Third Prize ($500 Scholarship): Andrew Trask, Milton Academy, Milton, Massachusetts, "Liberalism and the Liberal Arts"

Honorable Mention: Howard S. Hogan, Ridgefield High School (Connecticut), "Tomorrow, Educational Freedom"; Brenda Michele Koby, Beaverton High School (Oregon), "Choice and Accountability"

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The "Earmarked Money" Illusion

by William B. Irvine

Two stories that made recent headlines were President Bush's declaration of war on drugs, and securities firm Drexel Burnham Lambert's payment of over $300 million in fines and penalties for having engaged in insider trading. One would naturally think that these two events were in no way connected, but according to the government they were: Acting U.S. Attorney Benito Romano announced that most of the money paid by Drexel could be used to fund the nation's war on drugs.

This announcement no doubt created an agreeable image in the minds of many people. By fining Drexel, the government was not only taking steps to discourage insider trading, but was simultaneously generating funds with which to fight drug abuse.

It is not difficult to come up with other cases in which politicians and government officials have claimed that certain government revenues were "earmarked" for particular purposes. The federal government, for example, sometimes gives money to other nations with the stipulation that the money be used to buy food and medicine rather than arms. Similarly, in some states the law requires that the money raised in state lotteries be spent on education. And sometimes when a municipal government raises the sales tax, it stipulates that the additional tax revenues will be used only for some worthwhile purpose—say, to improve transit systems.

The image created by claims that revenues have been earmarked for worthwhile purposes is largely an illusion. It is rarely possible for a government to earmark revenue for a particular purpose.

Consider, for example, the claim that the Drexel fine could be used to fund the war on drugs. Suppose, as is most likely the case, that the $300 million check from Drexel is deposited into an account which already contains funds from many other sources and from which a wide variety of programs are funded. What sense does it make to say, when money is drawn from this account to spend on the drug war, that it came only from the Drexel fine and not from any of the other sources of account funds? And what sense does it make to say that the Drexel fine was spent only on the war on drugs and not on any of the other programs funded from the account? It makes no sense at all.

In general, once you commingle funds in an account, it is impossible ever to separate them again. This is because money is, as economists like to remind us, a fungible commodity.

Suppose that the government, rather than commingling the Drexel fine with other revenues, is careful to start a new account in which the Drexel check is the only deposit. Suppose, too, that the only checks the government ever writes from this account are checks to fund the war on drugs. In this case, it might make some sense to say that the government has earmarked the Drexel fine to fund the war on drugs, but there is an element of illusion in even this claim.

Many would assume that because the government is earmarking the Drexel fine to fund the war on drugs, the war will receive $300 million more in funding than would otherwise be the case. This, of course, isn't necessarily true. For if the government, after declaring that the $300 million in "the

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Drexel account" will be used only to fund the war on drugs, proceeds to cut by $300 million its general-revenues funding of the war on drugs, the war will be no better funded than it would have been without any earmarking of funds. In this case, all that earmarking the Drexel fine accomplishes is to allow the government to spend $300 million from general revenues accounts on things other than the war on drugs. It might, for example, buy part of a Stealth Bomber.

Along these same lines, consider a state lottery whose profits are earmarked for education. Suppose that before starting the lottery, a state spends $200 million out of general revenues on education. Suppose that the lottery brings in $50 million in new revenue, which must be spent on education. If, in the face of this windfall, the state kept its general-revenues funding of education at $200 million (so that education received a total of $250 million), it might make sense to say that the lottery profits had "gone for education." Suppose, however, that in reaction to the $50 million in lottery profits, the state cuts its general-revenues funding of education to $150 million. In this case, the total amount of money that the state spends on education will remain at $200 million; and in this case, all the state accomplishes by earmarking lottery profits for education is to free up $50 million of general revenues to spend on something else. In short, although the lottery revenue is earmarked for education, education might be no better off because of it.

As another example of this phenomenon, consider what happens when our federal government gives another country money with instructions to spend it on food and not on guns. In such cases, who's to say that the money was spent on food? Suppose, for example, that before getting a $5 million gift from the United States, the recipient country had planned (without telling us) to spend $5 million on food and $10 million on guns; and suppose that once it obtains our gift, it spends $5 million on food and $15 million on guns. It will look as if our $5 million gift was indeed spent on food. (The country did, after all, buy $5 million of food shortly after receiving our gift.) The real effect of our gift, however, is to enable the country to buy more guns than it otherwise could have afforded.

Of course, the earmarked-money illusion can take place outside the political realm. Parents might, for example, give their adult son a gift of money with the stipulation that he spend it on, say, neckties and not beer. If the son allowed the gift money to commingle with other funds, or if he would have bought neckties even if he hadn't received the gift money, it makes little sense to say that the money he spent on neckties was "really" his parents' gift.

The business world has also discovered the earmarked-money illusion. When, for example, a hotel provides a "free" continental breakfast to people who pay $100 for a room, the breakfast isn't really free. After all, the hotel wouldn't let you have the breakfast if you didn't rent a room. When a hotel charges $100 for a package of services, it makes little sense to say that the money "really" went for some of the services but not for others. Indeed, a hotel that says that $100 will get you a room and a free continental breakfast could just as well say that $100 will get you a continental breakfast and a free room; either way, the claim borders on nonsense.

Returning to claims that government revenues are being earmarked for certain purposes, we are faced with a new question: If such claims are generally illusory, then why do politicians and government officials persist in making them? In part because they don't realize that they are talking nonsense and in part because it often serves their purposes to talk nonsense.

When, for example, government officials wish to raise revenues by means of a new tax, they may, if they are clever, try to "sugarcoat" the tax by claiming that the money raised won't be wasted on frivolous things, but will be earmarked for some worthwhile cause. Nine people out of ten not only will accept this claim, but will applaud those who make it.

Of course, we citizens should realize that you can't judge a pill by its coating. And whenever a politician or government official tells us that the money the government is taking from us is being earmarked for a worthwhile cause, we should think twice before swallowing the pill. Chances are that beneath its sugar coating, it will turn out to be a bitter pill indeed. □

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Animal Rights Are an Individual Responsibility

by Cherry Hill

Animal rights are making the news with increasing frequency, and few topics evoke stronger emotions. "Animal rights are the third most popular issue in this country today, ranking just after the national deficit and Medicare-Medicaid in numbers of letters received by legislators in the nation's capitol," states Marilyn King, Region 5 chairman for the American National Cattlewomen animal care committee. As she speaks nationally, she encourages animal industry people to counter the radical positions of animal rights groups who often propose inappropriate government intervention.

To date, laboratory and food animals have received far more attention from animal rights groups than have sport or companion animals. However, more frequently, people who are not knowledgeable about animals are protesting that the physical demands made on sport and work animals are too great. More specifically, established humane organizations are taking stronger stands on activities that they feel may be causing stress in horses. Racing, rodeo, endurance riding, and pleasure and gaited-horse show classes are receiving the closest scrutiny. Becoming more familiar with the situation in today's horse industry can help any citizen better to understand the animal rights issues especially as they relate to outside intervention.

Horse people are acutely aware of abuse issues. In a recent *Equus* magazine poll, horse people were asked to list their deepest concerns regarding the state of the horse industry. The results were reported in the November 1989 issue: "The most pressing concern across the board, in the number of people affected and the strength of their reaction, is the abusive treatment of horses."

Animal abuse not only hurts animals and destroys people's integrity, but it also severely undermines animal-related businesses. Even though such a survey shows that horse people are aware of and are dealing with abuse issues in-house, they may be increasingly put on the defensive by overzealous welfare groups to explain their management, training, and exhibition practices to non-horsemen.

The American Horse Council is a national association which unites, informs, and represents America's horse community. Since its formation in 1969, AHC has become the recognized voice of the American horse industry, and it works directly with Congress, Federal regulatory agencies, and the media to protect and promote horses. The AHC's Board of Trustees, at its June 13, 1989, meeting, passed a resolution stating: "That the AHC continues its affiliation with and support of the Farm Animal Welfare Coalition coordinated by the Animal Industry Foundation, a subsidiary

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of the American Feed Industry Association, which gives direction for educational activity, monitors activities of animal rights groups, including proposed legislation, and keeps all segments of animal agriculture informed."

According to the AHC Executive Secretary Mary D. Midkiff, "The AHC also promotes a concept which allows the horse to perform in a progressive manner, within its capacity, under humane conditions as determined by experienced, knowledgeable horse persons."

It is essential that regulation of horse issues be left in the hands of knowledgeable horsemen. Although it is true that cases of animal neglect and exploitation *do* exist, it is also true that normal and acceptable methods of animal care and handling are more frequently being labeled abusive by uninformed parties.

Animal care, handling, and training techniques are a matter of personal and professional ethics. Abuse is a multifaceted problem that hinges on personal integrity and responsibility. Such qualities cannot be legislated or enforced. Yet overemotional and inexperienced individuals outside the animal professions often pass judgement on the activities of others to the extent of proposing regulations or violating animal facilities. In response to the recent increase in violent incidents directed at animal facilities by self-described "animal rights activists," the Farm Animal Facilities Protection Act of 1989 was introduced. Such legislation would make it a Federal crime to break into, vandalize, remove animals, trespass on, or disrupt a horse operation.

Defining the Terms

To get at the root of things, a distinction should be made between abuse and cruelty. Abuse primarily consists of physical mistreatment while cruelty includes mental mistreatment as well. Obviously it would be much more difficult to assess animal cruelty than abuse.

Animal abuse (and often cruelty) is generally a result of ignorance, willful neglect, or exploitation. People often perform abusive acts inadvertently when they lack adequate knowledge. A horse owned by an inexperienced person may not be given enough of the right kind of feed and may become emaciated; the same animal, if grossly overfed, could easily become fatally ill or crippled. Both cases constitute abuse due to ignorance. So should we immediately begin legislation for feeding licenses? Absolutely not. Instead we must concentrate on education.

When learning to ride, the typical human reaction to the motion of the horse is holding on strongly with the legs (the horse's reflex response to this is to run) while at the same time pulling desperately on the reins (the horse's reflex response to this is to raise its head and possibly shake it back and forth while making the gait quicker and choppier). Carrying a novice rider can be a major trauma for a horse. When a person uses equipment or training techniques that give confusing or contradictory signals to an animal that the animal has no way of physically resolving, the person is technically being abusive. Should the novice rider be issued a citation? The conscientious enthusiast of any discipline recognizes the need to be informed about his or her pursuit. The "responsibility of knowing" is one of the personal obligations of animal use or ownership.

The type of abuse that is the most easily recognized and inexcusable is willful neglect. When horses no longer matter to some people, they no longer care for them properly, sometimes resulting in starvation. This is when the Humane Society steps in with legal action against the negligent horse owner; the emaciated animals are usually impounded by court order.

A type of abuse more difficult to define and deal with is the exploitation of animals at the expense of their welfare. Such abuse is often motivated by greed or need. A person with a voracious hunger for money or who is experiencing hard times might pay little heed to an animal's welfare. Some people exploit animals to gratify an insatiable ego. Such mistreatment not only hurts individual animals but lowers the image of the animal business as a whole.

Better Off Wild?

The horse has been domesticated only a tiny fraction (1/12,000) of the time since its species' origin, some 60 million years ago. Because of this, the modern horse still has the innate ability to revert to the feral state. Perhaps that is why even domestic horses are a symbol of a beautifully wild and free spirit. People who have seen only Hollywood's version of the horse or the soft and gentle creature depicted on cards and calendars don't have the

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RICHARD KLIMESH

A partnership based on trust and mutual respect is what allows a rider to depend on her horse in adverse conditions. The author riding Sassy Eclipse on her northern Colorado ranch.

background to understand the realities involved in horse ownership and training. They may harbor idealistic philosophies that simply don't work on 1,200 pounds of horseflesh.

The feelings of animal rights activists are based largely on their belief that animals want to be and would be better off in a more natural or wild state than in a confined, domestic setting. While this may be partly true in some cases, when applied across the board, it is faulty thinking. A horse properly cared for in a domestic setting is healthier and lives longer than today's wild mustang.

Many non-animal people also get caught in the anthropomorphic trap. They view horses as having human characteristics and needs. This can be very dangerous. Treating a horse as if it had human understanding and motivations can lead to tragedy. Among horses, biting hard with the teeth is a socially acceptable ritual often denoting a playful attitude or affection. If a human kisses a horse on the mouth and the horse reciprocates with a bite, the anthropomorphic error has been demonstrated in a very graphic sense.

The cute little foal that weighs 90 pounds at birth and is taught to put his front legs up on a person's shoulders for a hug continues the behavior as an adult even though the horse now weighs over a thousand pounds. Horses are horses. Humans are humans. This distinction is clear to the individual who has respect for the animals he works with as well as for himself.

The Professional Viewpoint

No one better regards and admires a horse than does a true horse person. The conscientious horse person understands a horse's needs and behavior patterns and is able to provide a domestic environment that involves minimal stress and results in maximum well-being.

The conscientious horse person knows many details about the senses, habits, rituals, and social interactions of horses. Horse people, over the years, have devised ways of aiding horses in making successful adaptations to the domesticated world of man.

Horses are potentially very dangerous animals. They have strong instincts, lightning quick reflex-

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es, and tremendous strength. Therefore, they must be trained with well-designed techniques and equipment in order to make them safe for use in man's world. The training of any animal requires certain periods when the animal is taught the rules. To make a horse safer (for his own good and that of the handler) and therefore more useful, a horse must, at times, be made to do things he normally wouldn't choose to do.

Standing quietly in one spot while various activities are going on around him is something a horse wouldn't normally do on his own. His instincts would tell him to flee and perhaps inspect things from a distance. Teaching a horse to stand quietly in spite of the activities going on around him is an essential part of a horse's education. The lessons can be calm and uneventful or explosive and traumatic. When the techniques are fair and the rules are made clear, a horse becomes more confident, safe, and useful as a result of his lessons. He learns new parameters of behavior.

Yet an animal rights person might misinterpret the proper use of a whip as a signal to step forward or the use of a chain over a horse's nose to retard forward movement. Sometimes a sweeping generalization is made against all such items when one bona fide misuse of a whip or chain has been witnessed. There is a saying among horse people that a rider's hands are the single most important means of communication with a horse. It is not the mechanical devices, in themselves, that are inhumane; it is the way in which they are applied through a person's hands, and this is something that cannot be legislated.

The vast majority of horses are trained and handled with techniques considered to be normal operating procedures among horsemen. Unfortunately, there are unethical people who own and handle horses. Some highly profit-oriented people lose sight of the organic nature of horses. The horse merely comes to represent a means to make a living and is treated like an object. It is not just the well-being of the horse that is at stake here, but the integrity of the human spirit as well. It is ironic that horses, which offer people a means to escape the pressures and ills of society, often bear the brunt of these pressures from some of their human keepers. Unfortunately, it is not the story of the conscientious horse owner that makes the headlines, but that of the exploiter.

Media Attention

The fact that a little bad press can bring a disproportionate amount of attention to an activity makes it more difficult for the legitimate, conscientious animal owner to proceed without complications. Unsanctioned, unethical horse events can give a bad name to a sport and can detract from the image of horse activities overall.

For example, there was an unsanctioned endurance ride held in June 1987 near Catoosa, Oklahoma. Since a $20,000 jackpot was offered, the race drew a considerable number of very competitive riders. But when it was announced that there were to be no veterinary checks in the shorter race and the races would be run in 94 degree heat and 70 percent humidity, the American Endurance Ride Conference (AERC) withdrew its sanction the night before the race. The race was still held independently, and, as a result, an estimated 13 horses died during the race or within hours of completion. Seven of them were buried along the trail. Endurance riding (and the AERC by association) got media attention when the equine graves were unearthed on national television.

The finger has also been pointed at the sport of rodeo as an inhumane activity. Although the Professional Rodeo Cowboy's Association (PRCA) sanctions only 30 percent of the rodeos held in this country, it has taken on the task of educating the public and addressing the Humane Society's concerns about rodeo livestock abuse.

In an illustrated 28-page booklet entitled "Humane Facts," dealing with the care and treatment of professional rodeo livestock, the PRCA discusses many facets of rodeo that may be misunderstood by the general public. There is a discussion of each event, and the stock and equipment involved, as well as a list of the rules enforced by the PRCA that ensure the humane treatment of livestock. Besides informing the public about rodeo, the booklet serves as a guide for the nonsanctioned rodeos that have not evolved to the level of having their own regulations for humane handling of stock.

In the last 20 to 30 years, the emphasis in horse show competitions has shifted toward events which offer large purses for young horses. This puts economic pressure on trainers to push young animals, often beyond their mental or physical

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capacities. Historically, abuse in performance horses has centered around the horse's gait, energy level, or cosmetic appearance.

When show-ring photos became an important part of advertising and sales, a certain artificiality began to creep into the horse business. Many horses were forced to move mechanically and with unnatural gaits in order to maintain a consistent silhouette or frame. When horse shows were booming in the 1970s, exhibitors used the horse as a vehicle to display fancy tack and attire, in an attempt to attract a judge's attention in the large classes. Some classes evolved into beauty contests rather than horse contests. It was as if the superficial "cosmetic" appearance of the handler or rider on the horse vehicle had become considerably more important than the quality of the horse's conformation, training, or the use of humane practices.

Most sudden fads in the horse business are temporary exaggerations that do no long-term good for anyone. The more unnatural the qualities that are being sought, the more artificial the training techniques and equipment become, and the more chance there is for abuse or cruelty, inadvertent or purposeful.

When abuse is identified, what should be done about it? Should measures be taken to prevent abuse? Or must abuse first occur in order to be penalized? Exactly what should be done and who should do it?

Outside Intervention

Would it be appropriate for a Federal judge to declare it illegal for a rider to use spurs on his or her horse? Or to make it mandatory for all horses under five years of age to be ridden with rubber (rather than metal) bits? Or to require that every show horse undergo an expensive and time-consuming series of biological and mechanical tests before being admitted to the show grounds? These things may not be so farfetched.

Look, for example, at the ongoing lawsuit which the American Horse Protection Association filed in 1984 against the United States Department of Agriculture. AHPA claimed that the USDA was not adequately enforcing the 1970 Horse Protection Act and its most current rules (1979) which prohibited the soring (the use of chemical and mechanical means to create pain and/or open sores on the pastern/coronet area to affect the gait) of show horses, particularly those of the (Tennessee) Walking Horse Association. (For many years the WHA has been accused of using inhumane training and showing practices. The WHA is a very specialized segment of the horse industry, comprising just a fraction of one percent in total horse numbers in the United States.)

The appeals dragged on until March 21, 1988, when U.S. District Court Judge Oliver Gasch invalidated the regulations and ordered the Secretary of Agriculture to institute new rules on pads, chains, and other action devices for horses. Four days later, the USDA advised the *entire* U.S. horse industry (by registered mail to all breed and performance organizations, not just the WHA) that, among other things, padded shoes were illegal on all show horses and no horseshoe could weigh over 16 ounces. It was unclear at the time just what breeds these regulations applied to, and for about a month shows were in a state of confusion, with at least two dozen being cancelled. A complete ban on hoof pads would complicate corrective and protective farriery. And limiting horseshoe weight to 16 ounces would make the standard shoe worn by large horses illegal.

During April 1988, three different revisions to the rules were published. It was very difficult to procure reliable information as to just what the interim regulations prohibited. By the end of April, however, most associations were made aware that, although there were restrictions on the thickness of hoof pads and their material, the customary use of normal flat pads on show horses was legal.

Beginning in April, representatives from the American Horse Protection Association, the American Horse Council, the American Farrier's Association, and various breed associations met in Washington and also exchanged letters and phone calls discussing the situation. What had started out as a problem isolated to the gaited-horse community, a very small and specialized segment of the horse industry, had now drawn in other breeds and resulted in copious red tape and confusion.

Additional changes to the Horse Protection Act rules were recorded in the *Federal Register* on May 2; for one thing, weight limits were dropped. On August 1, 1988, another set of USDA regulations went into effect, replacing the final April revision. Input continued to be received until the end of the comment period in October 1988.

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On February 14, 1989, the USDA released its "final regulations." The regulations contained some unexpected modifications which the American Horse Protection Association considered an unacceptable compromise. So, after review, the AHPA filed a new lawsuit. How the outcome of this suit will affect horses outside of the Walking Horse Association remains to be seen.

It would, no doubt, have been more expedient and more appropriate for the Walking Horse Association to deal with their issues in-house. By educating their trainers and owners and enforcing a humane and reasonable set of rules, they could have avoided outside intervention.

Internal Regulations

Each national breed and performance organization has a list of approved judges to officiate sanctioned events. The judges follow the rules listed in the association handbooks. As a result of the AHPA/USDA ongoing legal battle, various equine associations have taken a closer look at their own potential abuse issues. The American Horse Shows Association and The American Quarter Horses Association, two large and long-established groups, often lead the way with rules changes and additions.

An unfortunate trend concerning the rate of travel and demeanor of western pleasure horses was carried to extremes throughout the stock horse industry in the 1970s and '80s. To make western pleasure horses look completely under control and supposedly relaxed, they were shown moving very slowly with an extremely low head carriage. Some unscrupulous exhibitors used drugs, starvation, or very intimidating training methods to get the horses to move this way. So in response to the outcry from conscientious horsemen, the American Quarter Horse Association began taking steps to discourage this poor use of horses.

In 1989, the AQHA added Item 0 to rule 455: "If a horse appears sullen, dull, lethargic, drawn, or overly tired, faults to be scored accordingly." Another recent rule defines abuse as "that which a reasonable person informed and experienced in generally accepted equine training and exhibition procedures would determine to be cruel, abusive, and inhumane." Other associations have followed suit in adding these rules to their handbooks.

However, qualitative rules such as these leave generous room for interpretation. They involve concepts that are difficult to measure. Because judges are often the only officials at a horse event, they are expected to enforce the rules. Yet many judges resent being put in the role of policemen. A horse show judge is hired to rank the quality of animals and performances at a show. He or she has the expertise for evaluating quality; most judges feel they should not be expected to enforce laws while evaluating horses at a show.

A serious error can be committed if a person or group develops internal regulation of a problem solely to avoid outside intervention. The motivation should instead be based on a straightforward acknowledgment of the problem and a sincere desire to improve the situation. It should not be a matter of "them" against "us." Rather it should be a matter of each individual doing his or her part to make things better. Education is one of the important keys to the prevention of abuse.

Because the intense competition and the rigors of today's horse sports can make some individuals lose sight of their horse's welfare, the goals of horse competitions need to change. Rather than offering the biggest purses for young horses, classes should be designed to reward older horses who have stayed mentally and physically sound while still retaining a competitive edge. Horses last longer and stay fresher mentally if they are trained and exhibited with long-term use in mind.

Animal abuse is not a comfortable topic to talk or write about. However, the issues will not go away by ignoring them. Every animal owner should become better informed about the far-reaching effects of outside intervention. Personal responsibility is the logical guide in animal use and ownership. □

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A REVIEWER'S
NOTEBOOK

The Vermont Papers

by John Chamberlain

Frank Bryan and John McClaughry, two resident Vermonters, call their book *The Vermont Papers: Recreating Democracy on a Human Scale* (Chelsea Green Publishing Company, Chelsea, Vermont 05038, 308 pages, $18.95). It is a many-faceted book that will repay several readings. The best of it is its Vermont history, which goes deeply into Vermont's Dark Age when demographic tides were depopulating the American Northeast by spreading emigrants over the Middle and Far West. The Mormon Church had its Vermont origins. Philosopher John Dewey was a Vermonter before he went to Chicago and New York. He gave us pragmatism, which explains much in the American character.

The Vermont Dark Ages came to an end around 1950. It was roughly at the mid-century that the big return to Vermont began. Homecoming Vermonters began picking up farms in the hill country, carrying new businesses northward with them. There was a whole cluster of entertainment industries connected with the ski business and summer tourism.

Bryan and McClaughry want to see Vermont made over into a federation of small to medium size geographical units practicing town-meeting or representative town-meeting democracy. What to call the federation? McClaughry in particular is enamoured of the word "shires." It comes out of English history (Devonshire, Nottinghamshire, etc.). McClaughry is very much the Anglophile, but in an entirely inoffensive way.

The theft of the word "shire" from English history to help create new American history is hardly a sin. But, since we don't have a federation of shires in Vermont just yet, Bryan and McClaughry are reduced to some confusing back-and-forth writing. You don't know for certain whether the authors are talking about the present, the past, or the future at any given moment. All you can be certain of is that the authors will use a coming "shire" independence to create units that will make their own fish and wildlife decisions, run their own schools, or let education go to private academies. The authors can't tell you about transitions, but the authority of big state government is going to be pushed back, presumably after a constitutional convention.

What would a shire look like in the proposed new Vermont federation? The authors pick four units, beginning with "Lincolnshire," a westward-sloping "shire" that begins at the top of the Green Mountains and runs down to the shores of Lake Champlain. With its nine towns and one small city government (Vergennes), the Lincolnshire area town governments already use the town meeting as their legislature. There can be "walking distance" democracy in a shire whose largest town is Bristol (population 3,993) and whose smallest is Weybridge (population 667).

"Kingdomshire," in the rugged and fabled Northeast Kingdom on the border of Canada to the north and New Hampshire on the east, is a problem. The shire could have direct democracy, but "walking around" in it can mean walking past black bears in places unmarked by camp sites or trail markers.

"Burlingshire," in the west along Lake Champlain, contains the big city of Burlington, which poses the need for decentralized government. "Brattleshire," on the Connecticut River, impresses one as "typically Vermont in its topography," with the western part of the town of Brattleboro "dotted with hills, over ten of them above 1,500

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feet, while the downtown on the Connecticut River is about 300 feet above sea level." Brattleboro has representative town meetings and an administrative town manager.

These are some of the shires that must be federated to satisfy Bryan and McClaughry. As a partisan of tradition myself I would be happy to see Bryan and McClaughry get some organizing disciples. But who is really calling for a federation?

Let me get personal. I have a daughter and son-in-law and two granddaughters who have lived in Vermont a long time, and they had to wait for me to acquaint them with the idea of the shires, or even the very word. They are busy people. My daughter does remedial work with disadvantaged students, my son-in-law teaches computer science in a Burlington college, one of my granddaughters is a first-rate ski instructor at Mad River Glen, and the other granddaughter has been a policewoman. They just aren't going to take the time to do organizing for Bryan and McClaughry. And they couldn't care less for the proposal to do away with the State Senate and create a "unicam" government of 200 members. "Unicam" government does not provide a possibly necessary braking system. As Isabel Paterson has put it, "a mechanism without a brake, a motor without a cut-off, is built for self-destruction." Both James Madison and John Calhoun have said as much. It could be a long time before Bryan and McClaughry get their federation of shires. □

TAXPAYERS IN REVOLT: TAX RESISTANCE DURING THE GREAT DEPRESSION
by David T. Beito

The University of North Carolina Press, P.O. Box 2288, Chapel Hill, NC 27515-2288 • 1989 • 216 pages • $29.95 cloth

Reviewed by Carl Helstrom

After the stock market crash of 1929, hard-pressed taxpayers in several major cities in the East and Midwest formed taxpayers' leagues to press for lower property taxes. This book chronicles their efforts, describes the opposition they met, and tells why they ultimately failed.

David Beito, a research fellow at the Institute for Humane Studies and an urban studies fellow with the Pacific Research Institute for Public Policy, does a masterful job of relating this interesting story. He writes clearly, and his research is thorough and precise. Most important, he recognizes the far-reaching implications of the controversies of the '30s that continue to influence policy-making and popular opinion today. As he writes in the book's introduction:

> The taxpayers' revolt of the 1930s gives the historian a window into a whole set of larger questions. Do political and economic classes play any role in tax crises and, if so, how do these classes arise and how are they constituted? How do governments maintain authority and legitimacy when their source of money is challenged? Lastly, a study of depression-era tax resistance challenges prevalent historiographical interpretations of the vitality and continuity of popular wariness of big government during the worst years of economic decline in American history.

The opposition to tax resistance was formidable on several fronts. Campaigns by government employees, interested in keeping their jobs, created tremendous peer and political pressures to maintain or increase financing for public works. New programs, especially at the Federal level, undermined the strength of some tax protesters' arguments by providing ways to circumvent accepted methods of financing. Some private institutions stood against tax resistance because of financial interests. Most notably, banks and other holders of municipal bonds formed their own campaigns or joined with government officials to quell the wave of protest.

The controversy became heated on the academic level, too. Experts in public finance and administration had become accepted players on the political scene in the first two decades of the 1900s, as universities established curricula for the study of public administration. These experts, specially trained in bureaucratic management, supposedly were essential for government to operate efficiently. The notion of a streamlined bureaucracy run by professional political scientists did much to blunt the popular call for economy in government.

The anti-tax, anti-big-government movement of the '30s also faced opposition in the courts. In Chicago, the tax resistance movement was led by the Association of Real Estate Taxpayers (ARET). However, Beito points out, "As depen-

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dents on tax money, politicians and jurists alike shared much common interest in destroying ARET, and virtually none in protecting it." In the heyday of the tax revolt, ARET banked everything on a court battle over the legality of tax legislation. Their case petered out, hung up on technicalities.

The revolt against taxes and big government waned after 1933. Beito ascribes this loss of impetus to several factors, but mostly to the inability of the separate tax resistance groups to join together ideologically and organizationally. "In general," he writes, "the tax resisters of the 1930s and their later anti-New Deal incarnations lacked a focused ideological program." Locational and logistical problems, differences of opinion, infighting, and general uncertainty under poor economic conditions also contributed to their lack of focus. In addition to the forces of reaction that opposed the tax revolt—liberal intellectuals, government agencies, and private organizations with political incentives to perpetuate public programs—these internal problems dragged the tax protest movement into oblivion.

By the onset of World War II, the tax revolt as an organized campaign had virtually disappeared, but its fundamental ideas remained. As Beito concludes, ". . . many . . . who participated in the tax revolt and anti-New Deal causes looked on the issue of the individual versus the paternalistic state as timeless and relevant to any society. They saw these questions as worthy of consideration on their own terms and not merely as alternative strategies to carry out shared capitalist goals." The tax revolt did not succeed, but the concepts it embodied—limited, representative government, private property rights, individualism, and voluntarism—have endured. □

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THE ENIGMA OF JAPANESE POWER

by Karel van Wolferen

Alfred A. Knopf, 400 Hahn Road, Westminster, MD 21157 • 1989
433 pages • $24.95 cloth

Reviewed by Hal Gordon

The nub of this book is that Japan really is an unfair trade partner—but can't help it. The author, a Dutch journalist who has spent most of the last 25 years in Japan, confirms what most Americans already believe: The Japanese are in fact subsidizing their exports abroad, while restricting access to their own markets. The surprise is Karel van Wolferen's explanation for Japan's neo-mercantilism. According to him, "Japan Inc." is a myth. There is no master plan for world economic conquest conceived and directed from some inner sanctum at the Ministry of International Trade and Industry. There is no plan, no conspiracy at all. There is only the enigma of Japan itself.

Japan, says van Wolferen, cannot be understood in terms of the Western, free-market point of view, which assumes that individuals will always act in a rational, self-interested manner. In the West, individuals are free agents; in Japan, individuals are expected to subordinate their own interests to those of the group.

Behind the facade of a modern industrial democracy, Japan remains a semi-feudal kingdom where individuals owe their first allegiance to their corporation, department, profession, class, family, or other social unit. These groups, which van Wolferen refers to collectively as "the System," are the real rulers of Japan—just like the feudal lords of old.

In effect, the Japanese are not so much a nation as a tribe, bound together by an ethnic and cultural homogeneity. Traditional manners and customs carry greater weight than constitutional processes. Thus, prime ministers negotiate treaties, parliament passes laws, and bureaucrats issue regulations, but "the System overrules the state at every turn." But the System is not a shadow government. Indeed, it has no formal structure at all. The different groups which comprise the System pursue their own objectives and strike their own bargains with each other without regard for a coherent national policy. There is, as van Wolferen piquantly suggests, no Harry Truman to say the buck stops

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with him. "In Japan, the buck keeps circulating."

It is this lack of accountability that makes dealing with Japan so exasperating for outsiders. For example, the Japanese government has in recent years made a great show of removing many official trade barriers. Foreigners—especially Americans—are now being told it is up to them if they want to sell in Japan. They must learn the Japanese language and Japanese customs; they must do more careful marketing research; they must discover what the Japanese consumer really wants; they must, in short, "try harder" if they expect to succeed. But a recent article in the *Washington Post* tells quite a different story.

The *Post* profiled a Japanese-American businessman who was born in Japan and had spent the first quarter-century of his life there. There was no question of his being thoroughly familiar with both the language and the customs of his former homeland. Nor was there any question that he was offering a useful, high-quality product at a competitive price. Yet he found no buyers. As he complained to the *Post*: "The Japanese like harmony. You say, 'Buy ours, it's cheaper,' and they won't. And you say, 'Why not?' And they say, 'Because we're happy. You're destroying our harmony. Everything was harmonious until you came along.'" This is the System at work.

Japanese consumers pay a stiff price for the "harmony" they prize so much. If Japanese corporations conquer American markets by subsidizing exports, they must recoup these subsidies somewhere else. Usually, it is by charging higher prices at home. Because consumers are conditioned by the System to "buy Japanese," they accept the price differential with equanimity. The upshot, as van Wolferen points out, is an economy skewed to exports at the expense of domestic consumption: "The Japanese economy is basically dependent on one market—that of the United States, which absorbs roughly 40 percent of all Japanese exports. Agriculture, heavily protected, is in worse shape than almost anywhere else among the advanced industrial economies where this sector still plays an important role. Industries that serve only the domestic economy are highly inefficient."

A genuinely open market would give Japanese consumers more choices, and better quality goods at lower prices. But it would also undermine the existing social order. Accordingly, the System resists free trade.

This, then, is contemporary Japan—a runaway economic locomotive hurtling down the tracks at full speed with no one's hand on the throttle. For how long?

Certainly not for much longer. Despite much silly talk that Japan has displaced the United States as the world's leading economic power, the fact remains that Japanese "dominance" is exceedingly fragile. Japan's prosperity depends to a great extent on the continued willingness of the United States to shoulder the burden of that country's defense, and to accept Japanese penetration of American markets. Pushed too far, Congress might withdraw the American shield or enact retaliatory trade barriers—or both.

Is a showdown inevitable? Van Wolferen thinks it more likely that the System will grudgingly make whatever concessions it must to avoid an all-out trade war. But he sees a better alternative—"turning the System into a genuine modern constitutionalist state, and Japanese subjects into citizens." Such a transformation would not be easy to effect, but it would probably receive a significant boost from freer trade and more open markets. □

Mr. Gordon is a corporate speech writer.

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The ideal of freedom is to let anyone do anything he pleases, as long as his behavior is peaceful, with government empowered to keep the peace—and nothing more. An ideal objective, true, but one that must be pursued if we would halt the continuing descent of our society from bad to worse. Nothing short of this will suffice. And unless we fully understand the ideal—and what makes for its attainment—we'll tend to settle for powerless, futile little pushes and shoves that yield no more than a false sense of something done.

—Leonard E. Read

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